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Alaska Department of Labor and Workforce Development

FY 08 Operating Budget

Presentation to the House Finance Committee

Click Bishop, Commissioner

January 31, 2007



Jobs for Alaskans

“We must promise to stay focused on our mission: to build trust; **to create opportunities so that Alaskans have a chance to work**; to fund essential services without unsustainable spending; **to help improve the success of our students**; and make our homes and communities places of safety, prosperity and peace.”

Governor Sarah Palin

State of the State, January 17, 2007



Our Mission

- Provide safe and legal working conditions and advance opportunities for employment.
 - Employment assistance.
 - Worker training and education.
 - Assuring fair compensation for work performed.
 - Assuring a safe workplace.
 - Injured worker and unemployment compensation.
 - Assisting people with disabilities to obtain and maintain employment.

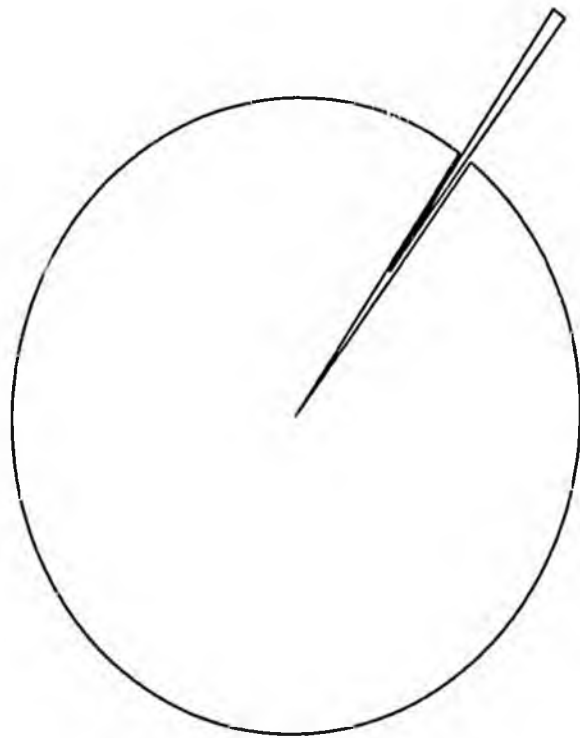


Key Program Accomplishments—FY 06

- Approximately 40,000 Alaskans found jobs through the Alaska job center network, including the web-based labor exchange system.
- 4,248 individuals received employment and/or training services for jobs through federally funded job training programs operated by the department.
- 96% of participants trained through department grant programs entered employment.
- 524 Vocational Rehabilitation Division consumers were employed.
- 2% reduction in the rate of lost workday accidental injuries and illnesses—2.24 per 100 employees.
- Issued 1,846 General Education Development Diplomas.

FY 08 Budget is \$176.9 million...

State of Alaska
GF Operating
Budget
\$3,601,749.6



Department of Labor
\$31,544.9 (0.88%)

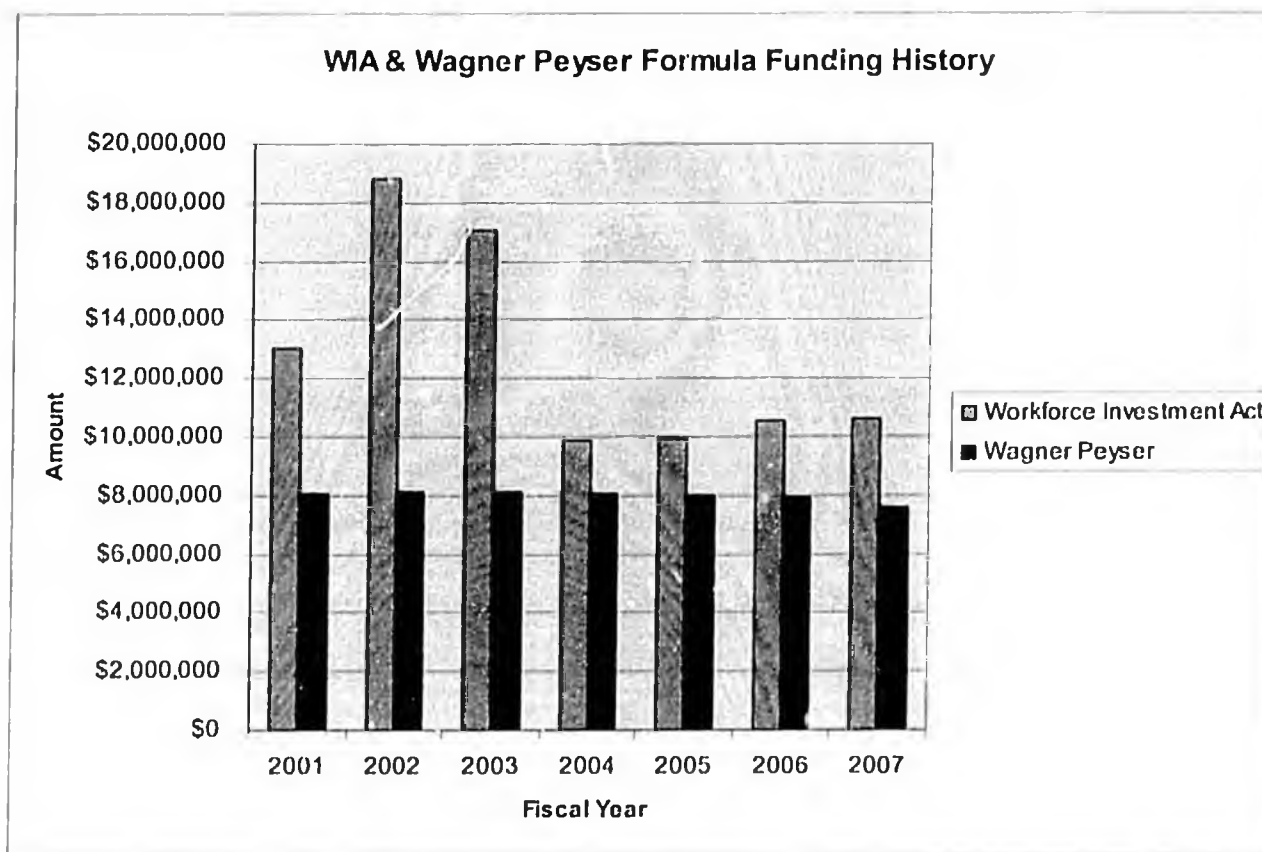
Non-General Funds
Federal: \$93,256.2
Other: \$52,090.9




Challenges

- Up to 48,000 new jobs will be created in Alaska by 2014, bringing the total to 349,000.
- Replace baby boomers exiting the workforce.
- Between 20,500 and 25,600 Alaskans are officially unemployed in any month (based on Uí claims).
- A preliminary estimate for construction of the gas pipeline is that 8,600 skilled workers will be needed.
- The number and percentage of nonresidents working in Alaska in 2005 increased due to strong growth in the construction, accommodations and food services, and mining (oil and gas) industries. The nonresident hire rate rose from 18.4% in 2004 to 19.1% in 2005. The number of resident wage and salary workers grew by 2,317, while 3,899 nonresident workers were added in 2005.
 - **There is a shortage of skilled Alaska workers.**

Key Workforce Development Federal Funding for Job Centers, Job Referral and Job Training has declined, while costs increased....



Retirement cost increases are the main cost driver in FY 08. For example, the Employment Security Division is requesting \$3.58 million GF to cover the PERS increase. Historically, this division has been funded with federal dollars and non GF state dollars.



Department-wide, Federal Funding has been at best flat and in some cases declining...

- For example, the Employment Security Division reduced federal authorization in the FY 08 budget by \$5.3 million and eliminated 53 full-time positions.
- Along with cost efficiency measures throughout the department, we are requesting general fund increments in federally funded programs to cover PERS cost increases to provide essential employment services.



Preparing Alaska's Youth for the workforce....

- Approximately 12,000 Alaskans turn 18 each year.
- Only 62% of Alaskan high school graduates remain in Alaska for training or employment each year.
- Only 28% of Alaskans age 18 to 24 attend any type of education after high school. Lowest % of any state.
- 2000 U.S. Census estimates that over 57,000 Alaskans age 18 and older do not have a high school diploma.
- Less than 60% of Alaska's 9th graders graduate high school after 4 years. Many drop out altogether. Only 7 states perform worse.

We need to do better at keeping Alaska youth in school, engaged and prepared for Alaska jobs...

Improving the success of Alaska's students...

- "Alaska Youth First" was initiated in FY 06 under a federal grant to prepare workers for jobs in the energy industry.
- Formula funded federal youth grants limited to "high risk" targeted populations and funding has been declining.
- Youth First continued in FY 07 with a combination of one-time federal funding, partnering with the Denali Commission, \$850.0 GF in the operating budget, and \$1 million in the capital budget.
- Focus: career awareness, youth employability, pre-vocational training, teacher-industry partnerships, student internships, and summer youth academies.
- FY 08: \$4.3 million GF to continue and expand Youth First to include the construction training academy at the King Career Center, career counselors in the schools, youth training/career awareness grants to school districts and non-profit educational organizations.
- Successes: Youth Employability Skills certificate program in Kenai; Job and Career Clubs in Fairbanks; Tanana Chiefs placed 25 youth with ASRC to learn pipeline repair skills; King Career Center construction academy will train 200 youth and 200 adults this fiscal year.



Vocational-Technical Training Programs

- Alaska Vocational Technical Center
 - Provides adult vocational technical education and training to Alaskans
 - 16 certificate programs in Alaska's high priority industries including health care, construction, transportation, hospitality, and information technology. 1,382 completers in FY 06.
 - 81% completion rate for long term programs (6 weeks to one year). 385 enrolled in FY 06.
 - 93% placement of long term program graduates in training related jobs



Vocational Training Programs

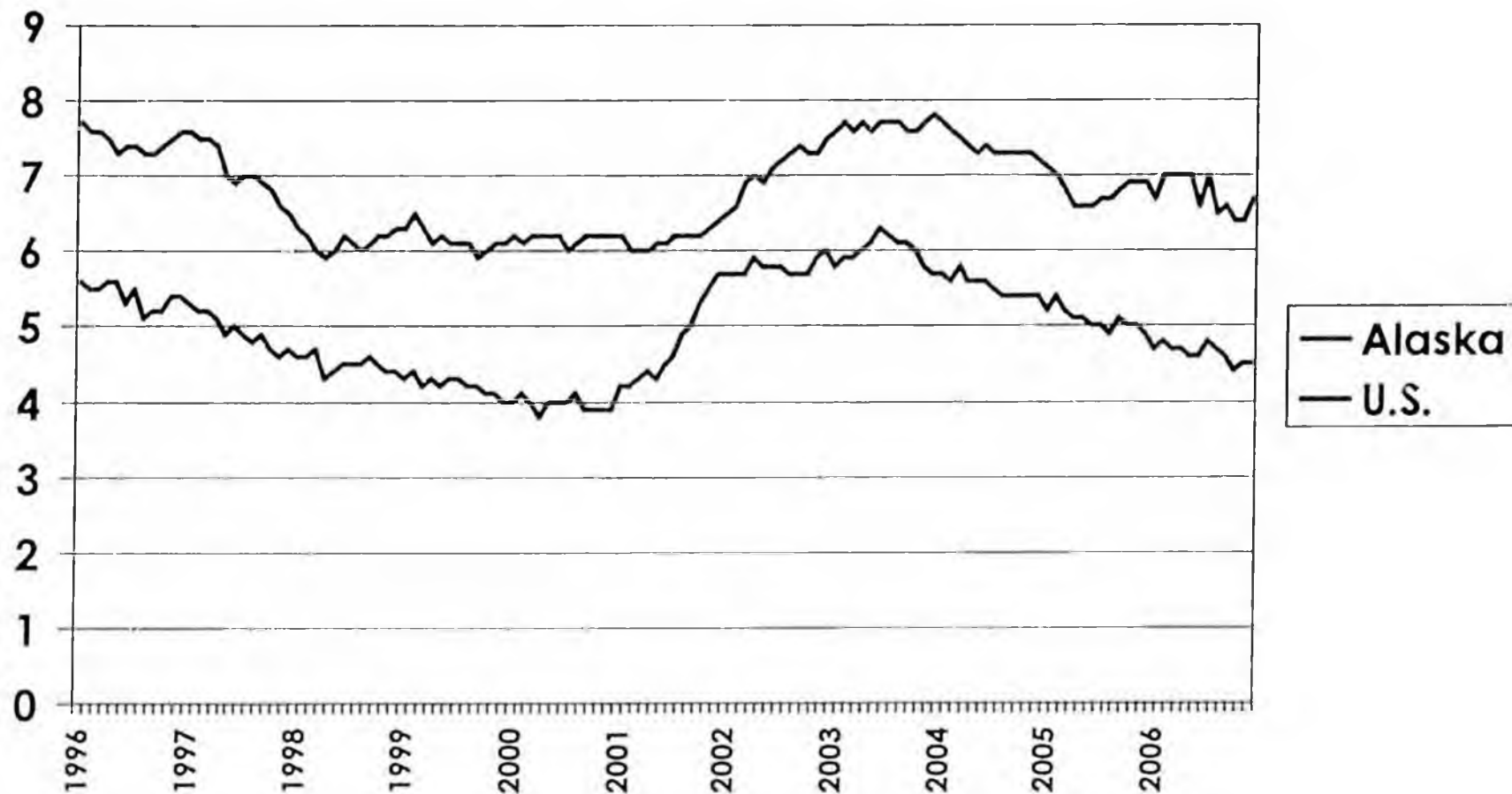
■ State Training and Employment

- 20% of workers' unemployment insurance contributions are directed by statute to the STEP account. Approximate annual revenue: \$5.5 million.
- In FY 06, 1,853 Alaskans received training and support services
- Most recent data—95% of STEP participants were employed within 12 months following program exit.
- In FY 05, exiting STEP participants earned more than \$73 million in Alaska wages in the year following exit, a 22.6% increase over pre-training earnings.
- STEP exiters saw a 23% reduction in total unemployment benefits paid the 12 months following exit compared to the 12 months prior to entry into the program.
- **Program will expire on June 30, 2008 unless extended by the Alaska legislature.**

Gas Pipeline Workforce Preparation

- Construction workforce strategic plan was approved by the Alaska Workforce Investment Board in April 2006.
- Gas Pipeline workforce estimates range from 4,300 to more than 8,600.
- Competitive grants from federal and STEP funds for job training.
- Memoranda of Understanding between the department, trainers and employers to ensure training program graduates get jobs.
- Six years of Fairbanks Joint Pipeliner Training.
- Funding for a Fairbanks Training Facility focusing on pipeline related jobs.
 - \$1.5 million in FY 05 for equipment.
 - \$3.0 million in FY 06 toward facility construction.
 - Total facility cost: \$6-\$9 million.
- Alaska Hire Commitment by Developers of Gas Pipeline.

Unemployment rates, 1996-2006, Alaska and U.S., seasonally adjusted





Thank you for your time...

- Click Bishop, Commissioner 465-2700
- Guy Bell, Administrative Services 465-2702