

**HB**

**226**

**SFIN**

**FILE**

# SENATE FINANCE COMMITTEE REPORT

DATE: 2/13/08

FURTHER:

DATE TURNED  
IN TO OFFICE: \_\_\_\_\_

Finance Committee considered CS FOR HOUSE BILL NO. 226(FIN)

## HB 226 REPEAL TERMINATION OF STEP PROGRAM

"An Act extending the termination of the state training and employment program; requiring a review of the program; and providing for an effective date."

and recommends:

CS HB 226 (FIN)

- be replaced with  SCS or  CS HB 226 (FIN)
- adopt previous  SCS or  CS \_\_\_\_\_
- attached amendment(s)
- adopt \_\_\_\_\_ Letter of Intent
- further referral to \_\_\_\_\_ Committee

<b>SENATE BILL:</b>	
<input type="checkbox"/>	Same Title
<input type="checkbox"/>	New Title
<hr/>	
<b>HOUSE BILL:</b>	
<input checked="" type="checkbox"/>	Same Title
<input type="checkbox"/>	Technical Title Change
<input type="checkbox"/>	New Title w/ SCR # _____

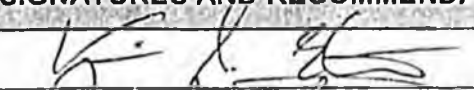
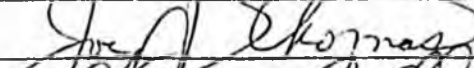
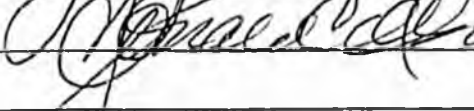
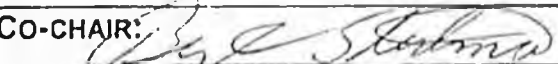
**NEW FISCAL NOTE(S):**

Department	Date	Fiscal	Indet.	Zero	FN#
LWF	forth coming				
LWF					

**PREVIOUS FISCAL NOTE(S):**

Department	Date	Fiscal	Indet.	Zero	FN#

APPROPRIATION - no fiscal note

SIGNATURES AND RECOMMENDATIONS:	PRINTED LAST NAME	DO PASS	DO NOT PASS	NO REC	AMEND
	Elton	✓			
	Thomas	✓			
	Olson			✓	
CO-CHAIR:					
	Stepan			✓	

*adopted*  
*4-11-08*

25-LS0778L  
Wayne  
4/9/08

SENATE CS FOR CS FOR HOUSE BILL NO. 226(FIN)  
IN THE LEGISLATURE OF THE STATE OF ALASKA  
TWENTY-FIFTH LEGISLATURE - SECOND SESSION

BY THE SENATE FINANCE COMMITTEE

Offered:  
Referred:

Sponsor(s): REPRESENTATIVES COGHILL, Gardner, Doll

A BILL

FOR AN ACT ENTITLED

1 "An Act extending the termination of the state training and employment program;  
2 requiring a review of the program; and providing for an effective date."

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

4 \* Section 1. The uncodified law of the State of Alaska enacted in sec. 6, ch. 116, SLA 1996,  
5 as amended by sec. 9, ch. 85, SLA 1998, by sec. 47, c'i. 86, SLA 2002, and by sec. 1, ch. 86,  
6 SLA 2004, is amended to read:

7 Sec. 6. AS 23.15.620, 23.15.625, 23.15.630, 23.15.635, 23.15.640, 23.15.645,  
8 23.15.651, and 23.15.660 are repealed June 30, 2010 [2008].

9 \* Sec. 2. The uncodified law of the State of Alaska is amended by adding a new section to  
10 read:

11 REVIEW OF THE STATE TRAINING AND EMPLOYMENT PROGRAM. In each  
12 of the fiscal years ending June 30, 2009 and June 30, 2010, the Department of Labor and  
13 Workforce Development, in consultation with the entities listed in AS 23.15.645(b), shall  
14 work with representatives of entities who are eligible to submit a grant application under

1 AS 23.15.620 - 23.15.660 and who provide industry specific training, on-the-job training,  
2 institutional training, classroom job-linked training, and employment assistance, to conduct a  
3 review of the priorities and procedures of the state training and employment program. The  
4 group of entities involved in the review must include representatives from organized labor and  
5 representatives that are not from organized labor. Following the review, the department shall  
6 publish a written report containing its findings and recommendations, including changes, if  
7 any, that it recommends be made to state statute and the department's regulations. The  
8 department shall deliver the report to the president of the senate and the speaker of the house  
9 of representatives, and publish a summary of the recommendations made in the report on the  
10 Alaska Online Public Notice System (AS 44.62.175), on or before the 30th day of each  
11 regular legislative session of the Twenty-Sixth Alaska State Legislature.

12 \* Sec. 3. This Act takes effect immediately under AS 01.10.070(c).

# ALASKA STATE HOUSE OF REPRESENTATIVES

2/22/08

**Contact:**

Interim Address:

3340 Badger Road  
North Pole, AK 99705  
(907)-488-5725  
Fax# (907)-488-4271



Session

(907)-465-3719  
FAX# (907)-465-3258  
State Capitol  
Room 204

## REPRESENTATIVE JOHN COGHILL\*

### Sponsor Statement State Training and Employment Program (STEP)

The State Training and Employment Program (STEP) was established as a pilot program in 1989 to increase training opportunities for Alaskans affected by fluctuations in the economy or by technological changes in the workplace. Since its inception the program has been reauthorized by the legislature six times. The intent of this legislation was to make the STEP program a permanent program. In the current version of the bill, STEP would sunset June 30, 2009 and the Department of Labor would be required to join forces with entities providing training both as union and non-union employers to review STEP and make recommendations to Legislature for improvements in the program.

The Department of Labor and Workforce Development's FY 08 budget includes \$6.7 million in STEP funding to assure Alaska workers are trained for Alaska jobs.

The target population for the STEP services is adults who may be unemployed or underemployed and who have worked in a job covered by Unemployment Insurance. The STEP serves workers that are Alaska residents, have a good work history and a good probability for success in the training and ultimately the workforce.

The bill originally made STEP a permanent program, but the current version of the bill would sunset the program in 2018 and requires the Department of Labor to work with representatives of entities eligible for the STEP grants in an effort to improve the application process, the accountability of grantees, and integrity of the program.

Commissioner Bishop has already shown a good faith effort by appointing a task force to develop a report to be presented to the Alaska Legislature in early 2009. Deputy Commissioner David Stone will be leading this task force.

# FISCAL NOTE

STATE OF ALASKA  
2008 LEGISLATIVE SESSION

Fiscal Note Number: \_\_\_\_\_  
Bill Version: SCS CSHB 226(FIN)  
( ) Publish Date: \_\_\_\_\_

Identifier (file name): HB226SCSCS(FIN)-DOLWD-ES-04-11-08 Department: Labor and Workforce Development  
Title: Repeal Termination of STEP Program RDU: Employment Security  
Component: Unemployment Insurance  
Sponsor: Representative Coghill  
Requester: Senate Finance Component Number: 2276

## Expenditures/Revenues (Thousands of Dollars)

Note: Amounts do not include inflation unless otherwise noted below.

	Appropriation Required	Information					
		FY 2009	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013
<b>OPERATING EXPENDITURES</b>							
Personal Services			257.5	257.5			
Travel			5.0	5.0			
Contractual			75.3	75.3			
Supplies			19.1	19.1			
Equipment							
Land & Structures							
Grants & Claims							
Miscellaneous							
<b>TOTAL OPERATING</b>		<b>0.0</b>	<b>356.9</b>	<b>356.9</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

<b>CAPITAL EXPENDITURES</b>							
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<b>CHANGE IN REVENUES ( 1054 )</b>							
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## FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts							
1003 GF Match							
1004 GF							
1005 GF/Program Receipts							
1017 GF/Mental Health							
1054 State Training and Employment			356.9	356.9			
<b>TOTAL</b>		<b>0.0</b>	<b>356.9</b>	<b>356.9</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

Estimate of any current year (FY2008) cost: None

### POSITIONS

Full-time		3	3				
Part-time							
Temporary							

ANALYSIS: *(Attach a separate page if necessary)*

See attached.

Prepared by: Thomas Nelson, Director  
Division: Division of Employment Security  
Approved by: Click Bishop, Commissioner  
Department of Labor and Workforce Development

Phone: 465-5933  
Date/Time: 4/11/08 4:15 PM  
Date: 4/11/08

FISCAL NOTE

STATE OF ALASKA  
2008 LEGISLATIVE SESSION

BILL NO. SCS CSHB 226(FIN)

ANALYSIS CONTINUATION

SCSCS HB 226 (L&C) extends the State Training and Employment Program (STEP) termination date to June 30, 2010.

STEP expenditures are included in the Governor's FY09 budget and no appropriation is being requested through this Fiscal Note.

The amounts shown in this fiscal note reflect STEP's share of Unemployment Insurance tax collection costs as required by federal law.

# FISCAL NOTE

STATE OF ALASKA  
2008 LEGISLATIVE SESSION

Fiscal Note Number: \_\_\_\_\_  
Bill Version: SCS CSHB 226(FIN)  
( ) Publish Date: \_\_\_\_\_

Identifier (file name): HB226SCSCS(FIN)-DOLWD-BP-04-11-08 Department: Labor and Workforce Development  
Title: Repeal Termination of STEP Program RDU: Business Partnerships  
Component: Business Services  
Sponsor: Representative Coghill  
Requester: Senate Finance Component Number: 2658

## Expenditures/Revenues (Thousands of Dollars)

Note: Amounts do not include inflation unless otherwise noted below.

	Appropriation Required	Information					
		FY 2009	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013
<b>OPERATING EXPENDITURES</b>							
Personal Services		429.7	429.7				
Travel		28.3	28.3				
Contractual		402.5	402.5				
Supplies		6.1	6.1				
Equipment							
Land & Structures							
Grants & Claims		4,811.5	4,811.5				
Miscellaneous							
<b>TOTAL OPERATING</b>		<b>0.0</b>	<b>5,678.1</b>	<b>5,678.1</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

<b>CAPITAL EXPENDITURES</b>							
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<b>CHANGE IN REVENUES ( 1054 )</b>		<b>6,035.0</b>	<b>6,035.0</b>				
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## FUND SOURCE (Thousands of Dollars)

	FY 2009	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014
1002 Federal Receipts							
1003 GF Match							
1004 GF							
1005 GF/Program Receipts							
1037 GF/Mental Health							
1054 State Training and Employment		5,678.1	5,678.1				
<b>TOTAL</b>	<b>0.0</b>	<b>5,678.1</b>	<b>5,678.1</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

Estimate of any current year (FY2008) cost: None

### POSITIONS

	FY 2009	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014
Full-time		4	4				
Part-time							
Temporary							

ANALYSIS: (Attach a separate page if necessary)

See attached.

Prepared by: Corine Geldhof, Director  
Division: Division of Business Partnerships  
Approved by: Click Bishop, Commissioner  
Department of Labor and Workforce Development

Phone: 465-5937  
Date/Time: 4/11/08 4:15 PM  
Date: 4/11/08

FISCAL NOTE

STATE OF ALASKA  
2008 LEGISLATIVE SESSION

BILL NO. SCS CSHB 226(FIN)

ANALYSIS CONTINUATION

SCSCS HB 226 (L&C) extends the State Training and Employment Program (STEP) termination date to June 30, 2010.

STEP sets aside 1/10 of 1% of employee Unemployment Insurance tax payments for workforce training.

No funding is being requested in this fiscal note since STEP expenditures are included in the Governor's FY09 budget. The operating amounts shown in this fiscal note are a reflection of the FY09 budget request for STEP and more detail can be found in the Department of Labor and Workforce Development's detailed budget. The expenditures include the cost of STEP administration, performance monitoring and grants to training providers.

A portion of STEP revenue is set aside for tax collection costs; a separate fiscal note has been submitted by the department to display the cost of collecting STEP by staff in the Unemployment Insurance component under a federally approved cost allocation formula.

DEPARTMENT OF LABOR AND WORKFORCE DEVELOPMENT

OFFICE OF THE COMMISSIONER

Sarah Palin, Governor

P. O. Box 111149  
Juneau, AK 99811-1149

PHONE: (907) 465-2700  
FAX: (907) 465-2784

February 26, 2008

cc Darwin  
Miles

RECEIVED

FEB 26 2008

The Honorable Bert Stedman  
Alaska State Legislature  
State Capitol, Room 516  
Juneau, AK 99801

COPY

Dear Senator Stedman:

During last Friday's hearing on HB 226, Extension of the State Training and Employment Program (STEP), you requested us to provide an update on the status of the department's actions in response to the Conclusions in a 2002 Legislative Audit of STEP.

Following are our updated responses to each of the five conclusions.

**Conclusion 1. Only a portion of people eligible for STEP are served by the Program.**

The Department awards STEP grants to those organizations that successfully apply for a STEP grant to provide services to specific segments of the population of STEP eligible persons through a Request for Grant Applications (RGA) process. The Department posts the RGA on the state's public notice web site, and a news release often accompanies this posting, sent to all major media venues in the state. Additionally, the Division of Business Partnerships on behalf of the Alaska Workforce Investment Board sends a notice to a list serve of potential applicants. The RGA reiterates the target populations and participant eligibility criteria, and instructs potential applicants that they must craft their proposals to ensure serving these populations.

The Department annually receives grant requests exceeding the funds available, making the award process highly competitive. This is, in part, the result of the Department's outreach efforts that have included reports to the Alaska Workforce Investment Board, which is primarily composed of representatives of business and industry; annual reports to the Legislature prepared by the Department's Research and Analysis section; public forums and hearings the Department has sponsored to collect information on the efficacy of the STEP; and articles on the Department's training programs that routinely appear in business journals and other publications. The STEP is also described on the Division of Business Partnerships' and the Alaska Job Center

Network's (AJCN) web sites. Additionally, the Department conducts in-house training on eligibility requirements to ensure all STEP eligible individuals are considered for services through the Alaska Job Center Network. The STEP program lead also conducts periodic STEP training for frontline AJCN staff responsible for determining participant eligibility.

**Conclusion 2. STEP is displacing federal and possibly private training funds.**

The Department does not agree with this conclusion. Since the Division of Legislative Audit report was issued, the Department has established numerous safeguards to ensure the STEP does not displace or supplant other public or private training funds.

The Department's Request for Grant Applications requires applicants to certify that the receipt of a STEP grant will not displace or supplant funds that would otherwise be available for the training and employment services. The Department's grant agreements, which require signature by an authorized official of the grantee, include language prohibiting displacement or supplanting of other funds. Department staff closely review reimbursement requests to identify and assess any costs that appear to be supplanting or displacing other available training funds. Department staff conduct on site monitoring of nearly all STEP grantees and perform procedures to identify any instances of supplanting or displacement of other funding.

In the Superior Court of Alaska's November 15, 2006 Order in the matter of the *Associated Builders and Contractors, Alaska Chapter v. State of Alaska, Department of Labor* (Case No. 3 AN-06-6918 Civil) denying the plaintiff's motion for a preliminary injunction "enjoining the Department of Labor from issuing any STEP grant funds..." Judge Mark Rindner's Conclusions of Law state in part:

- Conclusion of Law #6. STEP was intended to "supplement" or "leverage" existing training programs but not to "displace" such programs.
- Conclusion of Law #7. The Department has reasonably interpreted the statutes and taken steps to assure that grant awards under STEP are made in accordance with that interpretation. The STEP regulations are consistent with the language and intent of the statute and are valid.
- Conclusion of Law #9. The Court concludes, as a matter of law, that in the context of AS 23.15.651(b), the word "displace" means that STEP grants cannot replace, substitute for or take the place of "moneys available through an existing public or private training program." STEP funds may be used to "supplement" or "leverage" funds that have been allocated or budgeted to a proposed training program or service by the grant applicant. STEP grant funds may only be used for the expansion of an existing training program, to provide access to training for STEP eligible trainees, or to provide support services that are not included in

the budgeted or allocated funding identified by the grant applicant in the proposal.

- Conclusion of Law #11. The question of whether "displacement" of funds has occurred is a fact-specific question related to the proposed use of funds that must be determined on a case-by-case basis. Plaintiffs have failed to prove that such "displacement" of funds is occurring. The evidence further shows that the Department appropriately considers this issue at the Division Review of grant proposals.

On June 29, 2007, the Superior Court dismissed with prejudice this lawsuit filed against the Department by Associated Builders and Contractors, Alaska Chapter.

**Conclusion 3. Requirement to reimburse department not actively enforced.**

Subsequent to the Division of Legislative Audit's report, the Department promulgated regulations 8 AAC 87.135 pertaining to the reimbursement of the costs of certain tangible items provided to trainees specified in AS 23.15.640 (c). The Department advises all grantees of this requirement, which is also addressed in the Department's grant agreements. Repayment agreements (i.e., promissory notes) are obtained from all STEP participants when they are provided any of the items specified in AS 23.15.640 (c) and the Department has received reimbursements from participants.

**Conclusion 4. Statutory program elements do not include employment assistance.**

AS 23.15.640 (a)(4) provides that STEP funds may be used to provide support services to participants. The Department promulgated regulations at 8 AAC 87.110 (b)(1) defining employment assistance as an element of providing support services to STEP participants. Employment assistance includes: Providing worker assessment and counseling services; teaching resume preparation, job search, work ethic, interviewing and other job readiness skills; referring clients to support services, training and education providers, and jobs or job placement services; and, providing experimental services and intense levels of service that are generally not available to all employment service clients. Employment assistance is a collection of unique and specific services provided in support of a STEP participant to better enable them to become employed.

**Conclusion 5. Administrative costs exceed maximums defined in statute.**

At the time the Division of Legislative Audit report was issued, the STEP statutes limited administrative costs to 15 percent. The legislative auditors' position was that the calculation of the 15 percent should be based on the amount of STEP funds expended. The

The Honorable Bert Stedman  
February 26, 2008  
Page 4

Department's interpretation of the statutes was that the 15 percent was based on the amount of funds authorized. Since the audit was issued, AS 23.15.645 (e) has been revised and administrative expenses are limited to 20 percent of the STEP program expenditures of the prior fiscal year. This statutory change resolved the administrative cost issue identified in the Division of Legislative Audit's report and the Department has subsequently not exceeded the statutory 20 percent limitation on administrative costs.

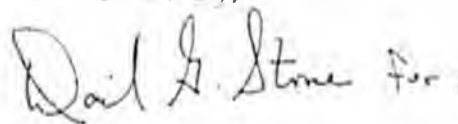
The State Training and Employment Program has demonstrated its success in training Alaska workers for 19 years, during which time it has served over 23 thousand Alaskans. Each year the program is evaluated for outcomes, and the following are some highlights from our most recent performance review (FY 06 trainees):

- More than 94 percent— or 1,613— of STEP trainees had employment within the 12 months after completing the program.
- STEP participants earned over \$71 million in Alaska wages in the year following training, a 35 percent increase over total pre-training earnings.
- STEP provides services that benefit the participants in the long term. Over 90 percent of participants that exited STEP in FY03 were still Alaska residents in calendar year 2006.

Last session, we worked with Representative Coghill to develop language, now included in HB 226, requiring the department to work with all interested stakeholders in reviewing the program's priorities and procedures in both the controlling regulations and statute. The Department held public hearings last year to assemble comments and concerns. Deputy Commissioner David Stone has assembled a private sector driven task force to develop proposals for changes in procedures, regulations or statute, and the Department pledges to improve STEP through this process.

We would be pleased to address any other questions you may have regarding the STEP program.

Sincerely,

A handwritten signature in dark ink, appearing to read "Clark Bishop" followed by a flourish.

Clark Bishop  
Commissioner

cc: All Members of Senate Finance

2/22/08

DEPARTMENT OF LABOR AND WORKFORCE DEVELOPMENT  
OFFICE OF THE COMMISSIONER

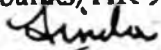
Sarah Palin, Governor

P. O. Box 111149  
Juneau, AK 99811-1149

PHONE: (907) 465-2700  
FAX: (907) 465-2784

February 6, 2008

Ms. Linda Hulbert, Agent  
New York Life Insurance Company  
110 Cushman Street  
Fairbanks, AK 99701



Dear Ms. Hulbert:

The State Training and Employment Program (STEP) authorized by Alaska Statute 23.15.620 is administered by the Alaska Department of Labor and Workforce Development. STEP was established as a pilot program in 1989 to increase training opportunities for Alaskans affected by fluctuations in the economy or by technological changes in the workplace. Since its inception, the program has been reauthorized by the legislature six times. House Bill 226 would extend this extremely successful program, but I believe its success warrants it being made permanent or at least its extension for another ten years through completion of the Alaska gas pipeline.

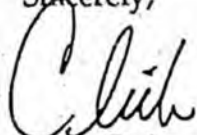
Within the last year, the Department undertook actions to make improvements in the administration of the STEP. As a continuation of this effort, I am inviting you to participate in a TASK FORCE, the purpose of which will be to review and assess the priorities of STEP, the Department's administration and procedures of the program, and recommend areas for improvement. It is my desire that the TASK FORCE will also discuss the STEP statute and regulations for possible changes.

Deputy Commissioner David Stone and Director of the Division of Business Partnerships, Corine Geldhof, are leading this TASK FORCE and will be contacting you shortly to gauge your interest in participating. It is expected that the group will meet during several teleconferences initially, and continue as needed throughout this year to develop a report to be presented to the Alaska Legislature in early 2009.

Ms. Linda Hulbert  
February 6, 2008  
Page 2

The STEP has continually proven itself to be one of the most successful employment and training programs in the state and by larger comparison with federally funded training programs in the Nation. Your support in ensuring its future is much appreciated.

Sincerely,

A handwritten signature in cursive script, appearing to read "Clark Bishop".

Clark Bishop  
Commissioner

2/22/08

DEPARTMENT OF LABOR AND WORKFORCE DEVELOPMENT  
OFFICE OF THE COMMISSIONER

Sarah Palin, Governor

P. O. Box 111149  
Juneau, AK 99811-1149

PHONE: (907) 465-2700  
FAX: (907) 465-2784

February 5, 2008

The Honorable Con Bunde  
Alaska State Senate  
State Capitol, Room 504  
Juneau, AK 99801

Re: Questions Related to HB 226

Dear Senator <sup>CON</sup>Bunde:

Enclosed please find responses related to questions that you provided us regarding HB 226 after the January 31, 2008 hearing.

If you have further questions regarding HB 226, please contact me.

Sincerely,



Clark Bishop  
Commissioner

Enclosure

cc: Senator Johnny Ellis

Alaska Department of Labor and Workforce Development

Division of Business Partnerships

Response to Senator Bunde's Questions on STEP, (HB 226)

February 5, 2008

1. Can you provide the committee with copies of the 2006-2007 program reports, including the financials that are due to the department from the AWIB board on the 15th of January?

RESPONSE:

Copy of the 2006 reports is attached and was completed by the Department's Research and Analysis Section. The program performance is evaluated using wage files, measuring pre- and post-training earnings, requiring analysis of data covering two years. The 2007 report will not be completed until January 2009 due to the requirement to measure performance over a two-year period.

2. I have been told that the number of grantees has been greatly reduced over the past several years and yet staffing levels have remained the same. In addition to paying for the staff that provides direct support for the program, are STEP funds being used to fund any other staffing positions in the Dept of Labor?

RESPONSE:

Attached is a spreadsheet that shows a breakdown of awards per fiscal year from 2005 to present; Individual Training Account referrals for those same years that were made through the Employment Security Division, which receives a Reimbursable Services Agreement to provide STEP services to eligible Alaskans through the Alaska Job Center Network; and STEP staffing for the Division of Business Partnerships, which represent the staff providing direct support to the STEP. Staffing for the Employment Security Division and the Administrative Services Division are also represented per fiscal years 2005 to present, as they provide STEP related activity in support of the program (explained below).

Although one may make a direct correlation between the assertion that the number of grantees has been "greatly reduced," and that "staffing levels have remained the same," the cost of administering a program such as STEP must take into account that program administration includes more than "granting" activity. The department was subject to a lawsuit, which was ultimately dismissed with prejudice, and the successful defense took considerable departmental staff time over two fiscal years, working in cooperation with the Attorney General's office. It also delayed grant solicitation, negotiation, and shortened the performance period for awards. Both fiscal and program monitoring for accountability, performance, and outcome completion during grant performance periods require hands-on departmental staffing no matter the quantity of granting activity. The program also requires staff for tax revenue collection (STEP is funded by set-aside from a portion of worker tax contributions to the UI trust), performance reporting per statute and regulation (Research and Analysis Section staffing to collect, analyze and evaluate data for annual performance report), and data processing staff to support the tax revenue collection system.

3. Over the past 3 years, STEP funds have been used almost exclusively to train union workers; the number provided last year by the DOL indicate that 1126 union workers

have been trained with STEP funds while only 126 non-union workers have been trained with STEP funds. How do the numbers for this year compare? How many of the workers who were trained were journeymen?

REPOSE:

Please refer to attached, above-mentioned spreadsheet. It is the Department's position that STEP funds are not used to train "almost exclusively" union workers. The Department evaluates proposals submitted in response to Requests for Grant Applications, and the solicitation invites all entities capable of meeting the purpose of the STEP as set out in statute to apply. The Department does acknowledge that the union affiliated training projects awarded have high levels of performance in terms of training and employment outcomes. As the data indicate, significantly more participants are trained through non-union projects than was reported to the Senator's office.

STEP grantees are required to ensure that all training programs/projects assist the department in meeting the performance goals of the STEP (8 AAC 87.020), and that participants/trainees meet the eligibility requirements as set out in statute (AS 23.15.635). Journeyman status is not a criterion for excluding a participant. Journey level workers often need skill upgrades and retraining due to technological changes in the workplace, or risk loss of employment, thereby meeting the eligibility criteria of the STEP.

4. Were any discretionary grants awarded this year?

RESPONSE: No.

2/22/08

***S*ate *T*raining and *E*mployment *P*rogram**  
**Financial Review**  
**For the Period**  
**July 1, 2005 - June 30, 2006**

Prepared by:  
STEP Staff

Alaska Department of Labor and Workforce Development  
Division of Business Partnerships

February 2008

## FINANCIAL REVIEW FOR FY06

<b>Total Program Revenue</b>	
Revenue Balance Beginning of year:	\$1,238,985
Additions/Revenue this year:	<u>5,503,997</u>
<b>Total Revenue Available:</b>	<b>\$6,742,982</b>

<b>Administration Expenditure, by budget line item:</b>	
Personal Services 71000	\$137,747
Travel 72000	8,941
Contractual 73000	294,207
Supplies 74000	5,176
Grants 77000	<u>98,234</u>
<b>Total Administration Expenditures:</b>	<b>\$544,305</b>

<b>Training and Other Services, by Program Element:</b>	
Industry Specific Training	\$2,043,660
On the Job Training	0
Job Linked Training	460,738
Support Services	2,156,650
Relocation Assistance	0
Reimbursable Support	<u>0</u>
<b>Total Training and Other Services:</b>	<b>\$4,661,248</b>

<b>Cost per participant Served: \$4,661,248/1,916 =</b>	<b>\$2,433</b>
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<b>Cost per participant Exited: \$4,661,248/1,747 =</b>	<b>\$2,668</b>
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<b>Total Expended</b>	<b>\$5,205,553</b>
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<b>Revenue Balance as of June 30, 2006</b>	<b>\$1,537,429</b>
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Note, the difference between the number of participants Served and the number Exited, indicates that some participants have not completed training within the fiscal year and will be Exited upon completion of training and needed support services.

ALASKA DEPARTMENT OF LABOR AND WORKFORCE DEVELOPMENT  
 Division of Business Partnerships  
 State Training and Employment Program (STEP)  
 Grant and Staffing Activity  
 FY 2005 - 2008

	FISCAL YEAR 2005		FISCAL YEAR 2006		FISCAL YEAR 2007		FISCAL YEAR 2008		TOTALS	
	No.	Amount	No.	Amount	No.	Amount	No.	Amount	No.	Amount
Grant Agreements with Union Affiliated Training Projects	10	\$1,456,046	10	\$1,806,388	8	\$1,541,047	10	\$1,971,604	38	\$6,855,085
Grant Agreements with Other Training Projects	15	\$1,739,183	16	\$1,529,773	8	\$671,485	9	\$1,502,961	48	\$5,443,402
Total Grant Agreements	25	\$3,195,229	26	\$3,416,161	16	\$2,212,532	19	\$3,474,565	86	\$12,298,487
		Cost Per Participant		Cost Per Participant		Cost Per Participant	Est. No.	Cost Per Participant		Cost Per Participant
Number of Participants of Union Affiliated Training Projects	1,194	\$1,219	1,276	\$1,478	981	\$1,571	979	\$2,014	4,430	\$1,547
Number of Participants of Other Training Projects	507	\$3,430	379	\$4,036	262	\$2,563	422	\$3,562	1,570	\$3,467
Total Number of Participants	1,701	\$1,878.44	1,655	\$2,064	1,243	\$1,780	1,401	\$2,480	6,000	\$2,050
ESD ITA Activity	392		444		427		311		1,182	
<b>Staffing FTE</b>										
Business Partnerships	3.04		2.32		3.26		2.81			
Employment Security										
Employment Training Svc.	2.08		4.11		5.40		5.76			
UI Tax Collection	1.11		1.29		3.29		3.35			
Work Services	0.37		0.60		0.64		0.57			
Admin Services	1.85		2.29		1.60		1.87			
Total FTE Staffing	8.45		10.61		14.19		14.36			

NOTE: Admin Services FTE numbers include staffing from Research and Analysis and Data Processing

NOTE: Three of the FY08 Grant Awards are still in negotiation and the dollar amounts of the awards maybe subject to change

NOTE: The number of participants for FY08 are estimated amounts and the actual number of participants served may vary.

Commissioner Click Bishop  
STEP Annual Report

*S*tate *T*raining and *E*mployment *P*rogram  
Annual Program Performance Review  
July 1, 2005 - June 30, 2006

Brynn Keith, Chief  
Research and Analysis

Prepared by:  
Michael Patton, Economist

Alaska Department of Labor and Workforce Development,  
Research and Analysis Section

February 2008

For a copy of this or previous STEP reports, please contact the Alaska Department of Labor and Workforce Development, Research and Analysis Section at (907) 465-4500 or visit our website at <http://almis.labor.state.ak.us> and click on Training Information to locate and download a copy.

## HIGHLIGHTS

- In FY06, 1,747 participants exited the State Training and Employment Program, virtually equal to the figure in FY04, but down from the 1,893 in FY05. There were a total of 1,916 active STEP participants in FY06. Note that each participant is counted only once each fiscal year.
- For participants exiting in FY06, 53.1% were eligible for STEP because they were unemployed.
- More than 94% of FY06 exiting STEP participants had employment within the 12 months following their exit from the program. More than 89% of the exiting participants were employed in the first quarter following exit.
- FY06 exiting STEP participants earned over \$71 million in Alaska wages in the year following exit, a 35% increase over total pre-training earnings.
- In the 12 months prior to entering STEP, FY06 exiting participants were paid approximately \$2.23 million in unemployment insurance (UI) benefits. In the 12 months following exit, these program participants were paid approximately \$1.87 million in UI benefits, a 16.3% reduction in total benefits paid.
- STEP expenditures totaled \$5.21 million in FY06. STEP provides services that benefit the participants in the long term. About 90.4% of participants that exited STEP in FY03 were still Alaska residents in calendar year 2006 and approximately 77% of the participants had Alaska wage and salary earnings in FY06.

## OVERVIEW

STEP is administered by the Department of Labor and Workforce Development and funded by one-tenth of one percent of employee contributions to the Unemployment Insurance (UI) Trust Fund. The purpose of STEP is to reduce current and future claims against unemployment benefits, foster new jobs due to the availability of a skilled labor force, and increase training opportunities to the state's workers to protect against fluctuations in the economy and to prepare for technological changes in the workplace. Services to participants include: industry specific, customized employer-linked, or on-the-job training; and training related supportive services.

A full year of post-training employment and earnings information must be available in order to fully and accurately evaluate the performance of the program. Due to the lag in availability of employment and earnings data this annual report focuses on employment, earnings and unemployment insurance claim activity of participants that exited the program in state fiscal year 2006 that ended June 30, 2006. This is the most recent participant group for which a full year of post-training outcome information is available. Performance outcome data for prior year's participants are presented, along with FY06 participant counts.

## MEASURING PERFORMANCE

Thirteen performance measures to evaluate STEP were approved by the Alaska Workforce Investment Board (AWIB) and became effective July 1, 2003. Currently, two of the measures cannot be accurately calculated based upon missing or incomplete data.

Measure 7 below requires a current list of priority industries and occupations. This information has not been updated by AWIB. In addition, this measure is dependent upon available Alaska UI wage data and the completeness and accuracy of occupation information provided by Alaska employers for their workers. Measure 13 cannot be calculated because participant credential information is not currently maintained in the STEP database.

Based upon the performance of those participants exiting STEP in FY06, the program exceeded the performance goals set by AWIB for eight of the remaining 11 measures. For Measure 8, post-training unemployment insurance payments decreased by 16.3%, missing the 40% decrease sought by AWIB.

Measure 9 looks for no more than 45% of STEP participants that have received unemployment insurance benefits in the 12 months prior to entry into STEP to receive unemployment insurance benefits in the 12 months following exit from STEP. For the FY06 population, about 47.6% did have some unemployment insurance activity during the year following exit from STEP.

Measure 12 asks that 75% of STEP participants employed during the first quarter following exit be employed in the occupation targeted in their Individual Employment Plans. Based upon a match with UI wage records to determine post-training occupational employment, the program missed this target by 5.7%. However, it should be noted that UI wage record data are not available for all workers. Some workers leave the state and some employers do not provide information for all workers. Missing data count against the program for this measure, so more complete data could have resulted in a better result.

**Exhibit 1  
STEP Performance Measures  
FY06 Goal and FY06 Actual**

Measures	FY06 Goal	FY06 Actual	Status
1. At least 75% of all STEP participants will be employed in the first quarter following program exit.	75%	89.1 %	Yes
2. At least 75% of the former STEP participants were employed within the first four quarters following exit.	75%	94.4 %	Yes
3. Of the STEP participants who received training services and were employed in the first quarter following exit, 55% will be employed in the third through fourth quarters. Note: Goal increased from 50% for FY04 as required by AWIB.	55%	71.7 %	Yes
4. The median wage of former STEP participants seven (7) to twelve (12) months following program exit will be greater than the median wage seven (7) to twelve (12) months prior to program registration.	Median Wage Greater	Pre=\$12,714/ Post=\$18,723	Yes
5. Of those STEP participants who were employed in the first quarter after exit, 55% will be employed in the fourth quarter following exit. Note: Goal increased from 50% for FY04 as required by AWIB.	55%	85.0 %	Yes
6. The total earnings change between the 12 months prior to registration as compared to earnings in the 12 months following exit will be greater than the total expenditures for the fiscal year of program participation.	FY06 Expend. \$5.21 M	\$18.5 M	Yes
7. At least 75% of employed STEP participants will be employed in the Alaska Workforce Investment Board defined priority industries or occupations.	75%	N/A <sup>11</sup>	N/A
8. Total UI payments paid to STEP participants in the 12 months prior to registration will decrease by 40% in the 12 months following the STEP program exit.	-40%	-15.3%	No
9. Of those STEP participants who were UI claimants in the 12 months prior to program registration, no more than 45% will receive UI benefits in the 12 months following program exit. Note: Goal changed from 50% for FY04 as required by AWIB.	45%	47.6%	No
10. Of those STEP participants receiving UI benefits at registration, 55% will not have exhausted the total amount available under their UI claim. Note: Goal increased from 50% for FY04 as required by AWIB.	55%	70.0 % Did Not Exhaust	Yes
11. At least 75% of customer satisfaction survey respondents (participants) will indicate they were satisfied with the overall quality of the training program with a score of 5 or better on a scale of 1 to 10.	75%	95.6 %	Yes
12. At least 75% of the STEP participants employed in the first quarter following exit who received training services will be employed in the occupation identified in their Individual Employment Plan. (Based upon a 2-digit SOC match for those with both an occupation in their IEP and a reported SOC code from UI wage records in the first quarter following exit from STEP.)	75%	69.3%	No
13. At least 75% of the STEP participants receiving training service(s) will attain a credential or certificate of completion.	75%	N/A <sup>21</sup>	N/A

<sup>11</sup>Current priority industries and occupations have not been identified by AWIB. This measure is determined based upon the most recent priority industries and occupations and using Alaska UI wage records.

<sup>21</sup>Data not currently maintained by the Division of Business Partnerships.

Source: Alaska Dept. of Labor and Workforce Development, Research and Analysis Section

## THE SUCCESS OF STEP

FY06 exiting STEP participants had the highest median earnings and the highest percentage of participants employed during the 12 months following exit when comparing STEP with all training programs monitored by the Alaska Department of Labor and Workforce Development and presented in the publication "Training Program Performance-2006." STEP has consistently had the highest post-training program employment rate and among the highest average earnings levels of all training programs in Alaska reviewed by the department.

Exhibit 2				
Participants Exiting STEP and Other Alaska Training Programs in FY06 Employment and Median Earnings 12 Months Following Exit				
Program	Number of Participants	Number Employed	Percent Employed	Median Earnings
STEP	1,747	1,649	94.4	39,428
Adult*	531	423	79.7	17,358
Dislocated Worker*	562	401	71.4	24,052
Youth*	499	349	69.9	3,733
AVTEC	893	758	84.9	17,835
Fish Emergency Grant	310	181	58.4	14,404
UA Voc Ed	5,419	3,860	71.2	20,667
TAA	58	37	63.8	13,453
AKTECH	105	79	75.2	10,721
Cari Perkins Secondary	2,116	1,695	80.1	7,176
Carl Perkins Postsecondary	6,580	5,171	78.6	17,221
Adult Basic Education	730	518	71.0	6,239
Denali Training Fund	388	346	89.2	11,983
High Growth Initiative	327	280	85.6	30,130
SAVEC	62	58	93.5	11,641
Ilisagvik	391	341	87.2	31,298
Galena	5	3	60.0	4,651
Yuut Elitnaurviat	26	24	92.3	17,875

\* Federal Workforce Investment Act Programs  
 Note: Exiting participants are counted once each fiscal year.  
 Source: Alaska Department of Labor and Workforce Development, Research and Analysis Section, "Training Program Performance-2006."

STEP serves workers that are among the most likely to remain living and working in Alaska. STEP participants were among the most likely to retain their Alaska residency. Of those exiting STEP in FY06 who had resident data, 97.8% were residents of Alaska as measured by application for or receipt of an Alaska Permanent Fund Dividend in 2006 or 2007.

When looking at STEP over the long term, 90.4% of those exiting STEP in FY03 remained residents of Alaska as measured by their application for a Permanent Fund Dividend in 2006. Approximately 77% of 1,467 participants that exited STEP in FY03 were employed in Alaska in FY07, virtually the same Alaska employment rate as that achieved by Denali Training Fund

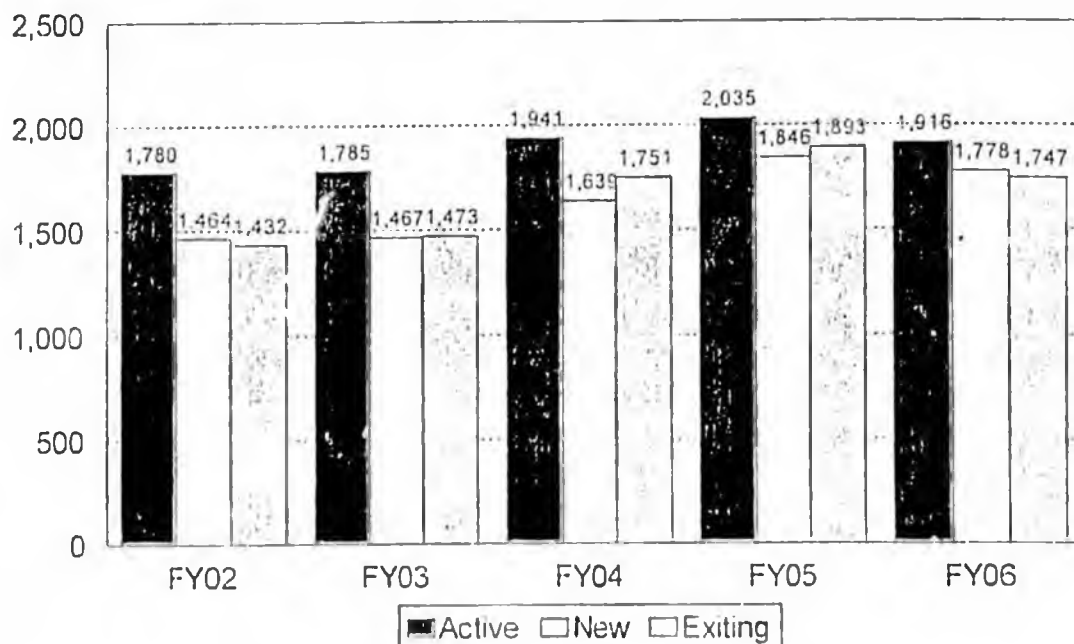
participants exiting in FY03, a program specifically designed to train local residents to maintain local public infrastructure. FY03 exiting STEP participants earned \$15.8 million in wage and salary employment in FY07.

### NUMBER OF ACTIVE STEP PARTICIPANTS EXCEEDS 1,900 IN FY06

Program participant counts have increased over the last several years, with the number of active participants growing from 1,780 in FY02 to 1,916 in FY06 (see Exhibit 3). Both new and exiting participants increased from FY02 to FY06, though the number of active participants declined slightly from FY05 to FY06. In FY06, the year for which performance outcomes are measured, 1,747 unique individuals exited STEP, down from 1,893 exiting STEP participants in FY05, but virtually identical to FY04.

Exhibit 3

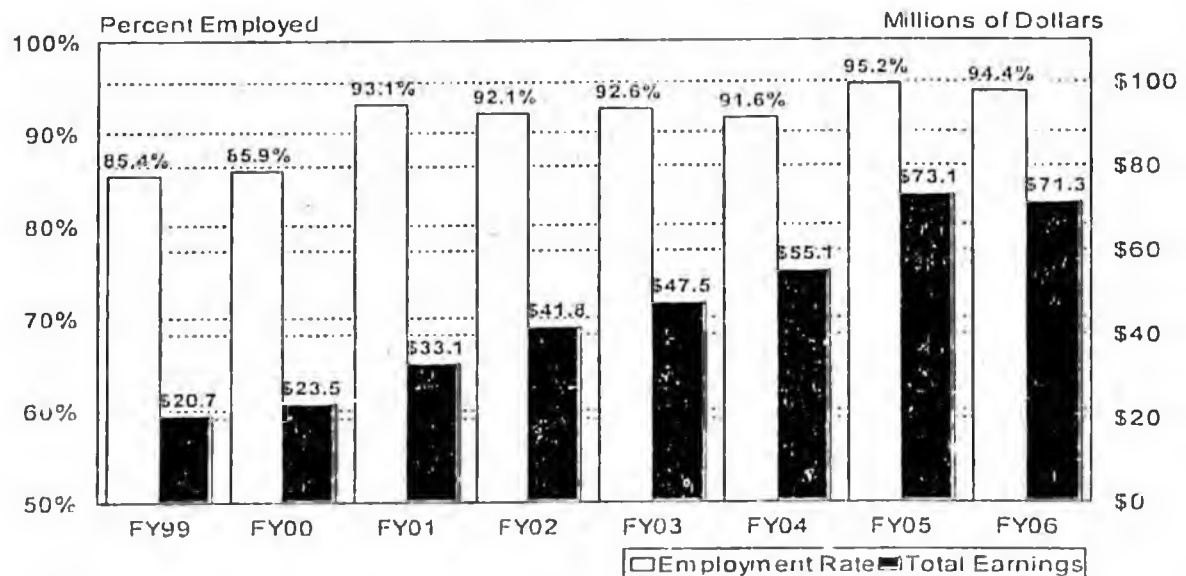
### Alaska STEP Participants FY02-FY06



Source: Alaska Department of Labor and Workforce Development, Research and Analysis Section

## Exhibit 4

### Alaska Employment Rate and Total Earnings in the 12 Months Following Exit from STEP FY99-FY06



Source: Alaska Department of Labor and Workforce Development, Research and Analysis Section

#### EMPLOYMENT AND EARNINGS

Employment and earnings outcomes are measured using Alaska wage record information provided by employers on a quarterly basis for all wage and salary workers in the state. Because some workers may be employed out of state, these figures should be viewed as conservative measures of the employment and earnings of program participants.

Because STEP participants generally have a good work history at the time of enrollment, the pre-training and post-training performance comparisons may not look as dramatic as those for other training programs. In FY06, in post-training employment was identical to the 12 months prior to entering the program (1,649). The post training employment rate in the year following exit for FY06 participants was over 94%.

One measure of STEP's success is the wage recovery, or the ability of STEP participants who finish the program to earn wages comparable to or higher than those earned before entering STEP. Total and median earnings increased dramatically when comparing the year prior to training with the year following exit from the program. Total Alaska wage and salary earnings for FY06 participants in the year following exit from the program were approximately \$71.3 million (see Exhibit 4), an increase of over 35% over the comparable pre-training period while median total earnings increased by 47.3%.

Average earnings per worker in the year following exit were \$43,217 versus \$40,674 in FY05. The increase in pre-training to post-training earnings occurred despite no overall increase in employment. Once again, construction had by far the most employment with natural resources, mining, and agriculture second and trade, transportation and utilities third. Only one industry sector with over 30 training participants had an employment percentage change in double digits (health care and social assistance - 18.2%). All other industry sectors had post-training employment percentage changes in single digits. In FY06, the industries with large increases in

average annual earnings included leisure and hospitality; natural resources, mining, and agriculture; professional and business services, and health care and social assistance.

#### PERFORMANCE VARIES BY TYPE OF PARTICIPANT

Approximately 53% of STEP participants were eligible for the program due to unemployment at time of registration and over 36% of those unemployed had actually exhausted their unemployment benefits by the time they had registered. The remainder of participants were eligible for the program because of potential reductions in force, changing job skill requirements, elimination of job, dependence on seasonal work, low pay, and/or underemployment (see Exhibit 5).

The greatest percentage improvement in average and total earnings, in the year after exit from STEP when compared with earnings in the year prior to enrollment, was for those participants that had exhausted their unemployment benefits. This is not surprising given that participants with a longer spell of pre-training unemployment would have fewer earnings prior to enrollment and would show the greatest post-training improvement.

By far, the highest average post-training earnings were received by participants that lost their jobs due to Reduction in Force (\$66,247). The Reduction in Force category was the second smallest with only 30 participants. The smallest category of participants was of those who had their jobs eliminated (19). This group had the second highest average wage following training (\$48,924), followed closely by the group with the highest earnings last year - those who faced a change in their job skills (\$47,621).

	Number of Participants	Number Employed		Earnings in Dollars		% Change In Earnings
		Before	After	Before	After	
<b>All Exiting Participants</b>	1,747	1,649	1,649	\$52,736,585	\$71,264,532	35.1
<b>Unemployed</b>	927	875	877	27,905,323	38,582,883	38.3
Exhausted UI benefits	337	295	315	7,600,185	12,704,092	62.9
Receiving UI benefits	590	580	562	20,105,138	25,878,791	28.7
<b>Employed</b>	160	156	156	5,961,616	7,973,904	33.8
Change in job skills	111	109	110	3,965,463	5,238,336	32.1
Reduction in workers by employer (RIF)	30	28	28	1,385,802	1,854,929	33.9
Elimination of job	19	19	18	610,351	880,639	44.3
<b>Other-including seasonal, low paid, underemployed.</b>	660	618	616	18,869,646	24,707,745	30.9

Source: Alaska Department of Labor and Workforce Development, Research and Analysis Section

## EMPLOYMENT AND EARNINGS BY DEMOGRAPHIC CHARACTERISTIC

Just under 52% of FY06 exiting STEP participants were age 34 and younger. The highest percentage average and total annual earnings gains were achieved by these younger workers (69.1% for participants under 25 years and 38.1% for 25-34), while the highest average earnings were obtained by those workers in the 45 to 54 age group. These experienced workers earned an average of \$48,773 in the year following exit.

The lowest employment rate following exit was for black participants with 86.2%. The other racial groups all had post-training employment rates of at least 92.3%, with Asians (100%) and Hispanics (98.4%) leading. The highest post-training average annual earnings were achieved by White participants (\$47,104). Hispanics had the second highest post-training average earnings (\$41,183). Other groups were between \$36,200 and \$40,500 with the exception of Alaska Natives, who had average earnings of \$33,060. Despite having the lowest average post-training earnings, Alaska Natives still had an increase of about \$6,600 from FY05.

More than 82% of exiting STEP participants in FY06 was male. Males and females had an almost identical post-training employment rate (94.5% versus 93.8%), but females showed greater total and average earnings percentage gains when comparing the pre-training versus post-training four quarter period. Males earned an average of almost 52% more than females in the post-training period—males earned \$45,924 versus \$30,262 for females.

### Exhibit 6

## FY06 Exiting STEP Participants By Age and Gender



Source: Alaska Department of Labor and Workforce Development, Research and Analysis Section

## Exhibit 7

### Employment and Earnings of Exiting STEP Participants in FY06 Four Quarters Before and After STEP Training

Demographic Characteristic	Number of Participants	Number Employed		Earnings		% Change in Earnings
		Before	After	Before	After	
<b>By Age Group</b>						
Under 25 years	432	406	410	\$9,154,249	\$15,478,055	69.1
25 to 34 years	476	449	452	\$13,848,873	\$19,129,554	38.1
35 to 44 years	369	350	346	\$12,686,476	\$16,234,365	28.0
45 to 54 years	347	331	330	\$13,098,412	\$16,095,220	22.9
Over 54 years	123	113	111	\$3,948,576	\$4,327,337	9.6
<b>By Race*</b>						
White	1,233	1,170	1,168	\$41,770,308	\$55,017,379	31.7
Black	58	48	50	\$1,223,820	\$1,832,666	49.7
Hispanic	61	59	60	\$1,642,212	\$2,470,988	50.5
Asian	31	30	31	\$873,804	\$1,247,097	42.7
Hawaiian	13	13	12	\$288,045	\$485,419	68.5
American Indian	72	69	67	\$2,051,967	\$2,426,635	18.3
Alaska Native	445	418	418	\$9,262,205	\$13,819,331	49.2
<b>By Gender</b>						
Male	1,443	1,366	1,364	\$47,073,516	\$62,639,860	33.1
Female	304	283	235	\$5,663,070	\$8,624,671	52.3
<b>By Region</b>						
Anchorage/Mat-Su	1,228	1,172	1,164	\$40,777,112	\$4,665,095	34.1
Alaska Statewide	519	477	485	\$11,959,474	\$16,599,437	35.1

\*Note: Participants may report more than one race.  
Source: Alaska Department of Labor and Workforce Development, Research and Analysis Section

### EMPLOYMENT AND EARNINGS BY PLACE OF RESIDENCE

STEP participants come from all areas of the state and a wide variety of backgrounds, with virtually all STEP participants being Alaska residents as measured by PFD recipient status. Looking at performance by borough or census area, all but Aleutians East, Haines, and North Slope boroughs had post-training earnings gains. Anchorage and Fairbanks North Star boroughs had the largest number of participants and earnings gains were around average for the state. However, the areas with the highest percentage improvement in earnings (and more than 20 participants) included the Nome Census Area (52%), Juneau Borough (48.1%), and the Yukon-Koyukuk Census Area with 45.6%. The areas with the lowest post-training employment rates (and 20 or more participants) were Nome (85%), Kodiak Island (90.7%) and Southeast Fairbanks at 92.2%.

## Exhibit 8

### Employment and Earnings of STEP Participants in FY06 Four Quarters Before and After STEP by Place of Residence

Place of Residence	Number of Participants	Employment Pre-Training	Employment Post-Training	Pre-Training Earnings	Post-Training Earnings	% Change in Earnings
Total	1,747	1,649	1,649	\$52,736,585	\$71,264,531	35.1%
Aleutians East	5	5	5	N/D	N/D	-9.1%
Aleutians West	2	2	2	N/D	N/D	57.7%
Anchorage	419	390	398	\$12,701,658	\$17,443,351	37.3%
Bethel	40	37	38	\$666,285	\$865,314	29.9%
Bristol Bay	8	8	7	\$140,889	\$225,749	60.2%
Denali	9	9	9	\$250,437	\$448,388	79.0%
Dillingham	10	10	10	\$77,617	\$132,296	70.4%
Fairbanks North Star	413	394	392	\$12,830,511	\$17,133,982	33.5%
Haines	4	4	3	N/D	N/D	-17.2%
Juneau	95	90	92	\$3,191,389	\$4,727,484	48.1%
Kenai Peninsula	91	83	87	\$2,924,802	\$4,053,493	38.6%
Ketchikan Gateway	97	94	90	\$3,023,179	\$3,136,088	3.7%
Kodiak Island	43	42	39	\$1,957,733	\$2,391,080	22.1%
Lake and Peninsula	19	16	18	\$207,718	\$595,034	188.4%
Mat-Su	217	210	207	\$8,414,241	\$11,397,439	35.5%
Nome	20	19	17	\$273,247	\$415,250	52.0%
North Slope	7	7	7	\$183,285	\$153,617	-16.2%
Northwest Arctic	4	3	4	N/D	N/D	243.1%
POW-Outer Ketchikan	17	13	13	\$302,588	\$449,418	48.5%
Sitka	15	14	15	\$316,139	\$418,774	32.5%
Skagway-Hoonah-Angoon	6	6	5	\$96,301	\$221,721	130.2%
Southeast Fairbanks	51	47	47	\$1,478,755	\$2,042,621	38.1%
Valdez-Cordova	32	32	30	\$926,905	\$1,213,507	31.5%
Wade Hampton	45	43	43	\$727,507	\$933,826	29.0%
Wrangell-Petersburg	14	14	14	\$305,602	\$590,472	93.2%
Yakutat	1	1	1	N/D	N/D	31.1%
Yukon-Koyukuk	58	52	55	\$1,212,301	\$1,764,895	45.6%
Unknown	5	4	0	N/D	N/D	-100.0%

N/D = Non-disclosable data. N/D data are included in the total

Source: Alaska Department of Labor and Workforce Development, Research and Analysis Section

### EMPLOYMENT AND EARNINGS BY INDUSTRY OF POST TRAINING EMPLOYMENT

Fifty-three percent of STEP participants employed in the year following exit from the program were employed in the construction industry. Other major employing industries included natural resources, mining, and agriculture and also trade, transportation, and utilities. Almost 60% of all earnings received by STEP participants in the year following exit from the program were construction industry earnings.

The percentage increase in total earnings after training varied significantly by industry of post-training employer. Workers that achieved the highest percentage increase in total earnings over

the pre-training period were employed in leisure and hospitality (106.8%), natural resources, mining, and agriculture (80.4%), and health care and social assistance (80.2%). Highest average post-training earnings were obtained by participants working in the information; educational services' and natural resources, mining, and agriculture industries.

Exhibit 9						
Employment and Earnings of Exiting STEP Participants in FY06 Four Quarters Before and After STEP Training by Major Industry of Post-Training Employment						
Industry of Employment After Exit	Exiting Participants	Number Employed		Earnings		% Change in Earnings
		Before	After	Before	After	
Total	1,747	1,649	1,649	\$52,736,585	\$71,264,532	35.1
Natural Resources, Mining, and Agriculture	133	129	138	\$4,138,016	\$7,464,703	80.4
Construction	874	848	874	\$30,953,975	\$42,634,009	37.7
Manufacturing	65	64	65	\$2,701,678	\$2,556,691	-5.4
Trade, Transportation and Utilities	127	120	127	\$3,608,708	\$5,259,053	45.7
Information	36	36	36	\$1,871,666	\$2,333,396	24.7
F.I.R.E	20	20	20	\$392,924	\$526,832	34.1
Professional and Business Services	60	58	60	\$1,663,645	\$2,663,202	60.1
Educational Services	5	4	5	N/D	N/D	31.7
Health Care and Social Assistance	39	33	39	\$634,861	\$1,144,060	80.2
Leisure and Hospitality	22	20	22	\$282,855	\$584,860	106.8
Other Services	72	71	72	\$1,358,714	\$1,788,720	31.6
Local Government	80	75	80	\$1,416,288	\$2,261,999	59.7
State Government	17	16	17	\$439,453	\$603,382	37.3
Unknown	192	155	94	\$3,046,436	\$1,144,231	-62.4

1/Excludes fish harvesting workers  
N/D = Non-disclosable data. N/D data are included in the total  
Source: Alaska Department of Labor and Workforce Development, Research and Analysis Section.

#### EMPLOYMENT AND EARNINGS BY TRAINING VENDOR

Training expenditure data for the largest STEP training vendors were matched with the employment and earnings of the FY06 exiting STEP participants that received their training services. The largest providers of training services were construction apprentice related training programs. Overall, these programs had very high post-training employment rates.

Specifically, Alaska Operating Engineers and the Alaska Laborers Training Trust had the most participants (441 and 364, respectively). There were 21 vendors with at least 10 participants in FY06. Out of those, AK Roofers & Waterproofers, Local 190 (30%), Delta Mine Training Center (22.2%), and University of Alaska Fairbanks - Bristol Bay Campus (18.2%) were the STEP vendors that had the greatest increases in percentage of those employed between pre-training and post-training. In addition, six vendors experienced no change between pre- and post-training employment and seven vendors had decreases.

Only three vendors showed a decrease in pre- and post-training total earnings of their participants, with the University of Alaska Anchorage Campus having the greatest drop at 19.4%. On the other hand, four vendors had triple-digit increases between pre- and post-

training total earnings. Alaska Works Partnership, Inc. and the University of Alaska Fairbanks – Bristol Bay Campus each had over 160% increase in total earnings. So while employment increases were not a major benefit of training, increases in earnings were.

Exhibit 10							
Employment and Earnings of Exiting STEP Participants in FY06							
Four Quarters Before and After STEP Training by STEP Training Vendor							
Vendor	Number of Participants Served	Number Employed Before and After STEP		% Change in Employment	Earnings 12 Months Before and After STEP		% Change in Earnings
		Before	After		Before	After	
Alaska Operating Engineers	441	429	424	-1.2%	\$20,255,179	\$27,791,876	37.2%
Alaska Laborers Training Trust	364	346	341	-1.4%	\$10,299,525	\$13,284,299	29.0%
IBEW AK Joint Electrician Apprentice Training	132	131	131	0.0%	\$4,272,053	\$5,172,114	21.1%
Alaska Works Partnership Inc (AWP)	123	109	118	8.3%	\$1,714,716	\$4,467,669	160.5%
Fairbanks Carpenter Training Center	119	112	111	-0.9%	\$4,336,397	\$4,324,732	-0.3%
U of A Southeast Ketchikan Campus	85	82	78	-4.9%	\$2,679,214	\$2,610,052	-2.6%
Rural AK Community Action Program (RURALCAP)	56	54	56	3.7%	\$950,866	\$1,178,058	23.9%
Southern Alaska Carpenters Training Center	42	35	37	5.7%	\$869,609	\$1,492,446	71.6%
Alaska Trowel Trades	34	33	32	-3.0%	\$550,092	\$571,837	4.0%
Delta Mine Training Center	33	27	33	22.2%	\$670,668	\$1,521,629	126.9%
Northern Industrial Training LLC NIT	32	30	29	-3.3%	\$605,956	\$967,229	59.6%
ASRC Energy Services	30	30	30	0.0%	\$1,035,541	\$1,684,082	62.6%
Yuut Elitnaurviat People Learning Center	26	25	25	0.0%	\$485,676	\$556,879	15.1%
Center For Employment Education CEE	21	20	20	0.0%	\$448,326	\$706,579	57.6%
Piledrivers Local 2520	18	17	17	0.0%	\$408,650	\$615,631	50.6%
Southwest Alaska Vocational & Ed Center	14	14	13	-7.1%	\$70,820	\$153,519	116.8%
U of A Fairbanks - Bristol Bay Campus	14	11	13	18.2%	\$175,878	\$460,333	161.7%
AK Roofers & Water proofers Local 190	13	10	13	30.0%	\$200,032	\$289,834	44.9%
U of A Anchorage Campus	12	9	10	11.1%	\$294,753	\$237,436	-19.4%
AVTEC AK Vocational Tech Education Center	10	9	10	11.1%	\$151,038	\$184,967	22.5%
Career Academy Inc	10	9	9	0.0%	\$119,214	\$176,971	48.4%

Note: Participants may have been provided services by more than one vendor.  
Source: Alaska Department of Labor and Workforce Development, Research and Analysis Section

## UNEMPLOYMENT INSURANCE AND STEP

A major goal of STEP is to reduce unemployment and the number, duration and recidivism rate of unemployment insurance claims in Alaska. Though there was an increase in the number of new unemployment insurance claims, in general, there was a significant decline in the amount of benefits paid to FY06 claimants exiting STEP when comparing the 12 months prior to STEP enrollment with the 12 months following exit from the program, amounting to 16.3% or \$362,516. This decline in unemployment insurance payments is less than the goal of a 40% reduction.

AWIB also asked that no more than 45% of STEP participants with an active unemployment insurance claim at enrollment file an unemployment insurance claim in the 12 months following exit from STEP. While close, the actual percentage still exceeded the goal. Over 47% of FY06 exiting STEP participants filed an unemployment insurance claim in the twelve months following exit from the program.

Another AWIB goal is to reduce the duration of claims as measured by the exhaustion rate of those STEP participants that are receiving unemployment insurance. AWIB asked that no more than 55% of STEP participants exhaust their benefits. A claimant that exhausts their benefits has used up the maximum payments that they were allowed, and therefore has not been successful in quickly obtaining employment. While higher than last year, STEP fared better than the goal with this measure, with 30.0% (compared to 20.9%) of those receiving unemployment insurance benefits at the time of STEP registration using up those benefits to exhaustion.

Exhibit 11 FY06 STEP Exiting Participants Unemployment Insurance Claims Before and After STEP		
All Terminated Participants	12 Months Before	12 Months After
Total New UI Claim	791	832
Total Benefits Paid	\$2,229,237	\$1,866,721
Total Weeks Claimed	10,049	8,268
Exhausted Claims	237	143
Total Benefits Paid	\$964,317	\$559,838
Total Weeks Paid	4,501	2,649
Early Intervention Claimant	183	99
Total Benefits Paid	\$454,516	\$216,731
Total Weeks Paid	2,049	899
Source: Alaska Department of Labor and Workforce Development, Research and Analysis Section		

With early intervention, there was a dramatic reduction in unemployment insurance weeks and benefits paid. Unemployment insurance claimants provided STEP services within five weeks of an initial claim are defined as early intervention claimants. These STEP participants that received services early in their unemployment insurance cycle showed the largest percentage reduction in benefits paid when comparing the pre-training and post-training period.

In addition to the positive Unemployment Insurance Trust Fund impact of a reduction in unemployment insurance benefits, taxes are paid into the Trust Fund for workers by the employers and workers themselves. For calendar year 2006, workers' wages are taxable up to \$28,700 per year. Most STEP participants were either unemployed or likely to be unemployed at the time of enrollment. STEP program participants working after exit from the program earned about \$71.3 million in UI taxable wages subject to an average combined employer-employee UI tax rate of 2.94%.

## CUSTOMER SATISFACTION IS HIGH

STEP clients are surveyed after exit from STEP as to their overall satisfaction with the program. The overall customer satisfaction with STEP is very high, with over 35% of a large sample of FY06 exiting STEP participants giving the program a perfect "10" in a follow-up customer satisfaction survey. Over 95% of respondents gave the program a score of "5" or greater on a 10-point scale for this same overall satisfaction measure. Survey respondents gave the program similar high marks for having met their expectations and comparing favorably to what they perceived as the "ideal" set of services.

Exhibit 12						
Reported Customer Satisfaction of Sample of STEP FY06 Exiting Participants						
Scale	Overall Satisfaction		Did Program Meet Your Expectations?		How well did the services you received compare with the ideal set of services?	
	Respondents	Percent	Respondents	Percent	Respondents	Percent
Low=1	10	1.5	17	2.5	14	2.1
2	3	0.4	9	1.3	6	0.9
3	11	1.6	9	1.3	11	1.6
4	6	0.9	13	1.9	11	1.6
5	43	6.3	73	10.8	68	10.0
6	33	4.8	36	5.3	42	6.2
7	59	8.6	94	13.9	81	11.9
8	162	23.7	170	25.1	144	21.1
9	116	17.0	99	14.6	76	11.2
High 10	240	35.1	158	23.3	228	33.5
Total	683	100.0	678	100.0	681	100.0

Source: Alaska Department of Labor and Workforce Development, Research and Analysis Section

2/22/08

DEPARTMENT OF LABOR AND WORKFORCE DEVELOPMENT  
OFFICE OF THE COMMISSIONER

Sarah Palin, Governor

P. O. Box 111149  
Juneau, AK 99811-1149

PHONE: (907) 465-2700  
FAX: (907) 465-2784

January 24, 2008

The Honorable Joe Thomas  
Alaska State Senate  
State Capitol, Room 510  
Juneau, AK 99801-1182

*Joe*  
Dear Senator Thomas:

The State Training and Employment Program (STEP) authorized by Alaska Statute 23.15.620 is administered by the Alaska Department of Labor and Workforce Development. The Department would like to provide you with additional information regarding this important program.

STEP was established as a pilot program in 1989 to increase training opportunities for Alaskans affected by fluctuations in the economy or by technological changes in the workplace. Since its inception the program has been reauthorized by the legislature six times. House Bill 226 would extend this extremely successful program, but I believe its success warrants it being made permanent (or at least its extension for another ten years through completion of the Alaska gasline).

The target population for the STEP services is adults who may be unemployed or underemployed and who have worked in a job covered by Unemployment Insurance. The STEP serves workers that are Alaska residents, have a good work history and a good probability for success in the training and ultimately the workforce.

The STEP has continually proven itself to be one of the most successful employment and training programs in the state and by larger comparison with federally funded training programs in the Nation.

STEP services are provided to the public through two main methods. First, the Department makes STEP funds available through the Alaska Job Center Network. There are currently 23 job centers throughout the state where eligible individuals can receive training and employment related services through STEP. In state fiscal year 2007, the Department provided \$1,119,611 of STEP services through the job centers.

The Honorable Joe Thomas  
January 24, 2008  
Page 2

The Department also provides grants to organizations that are capable of providing training and related services to STEP eligible persons. Annually, the Department publishes Requests for Grant Applications that detail the specific requirements of STEP and the Department's priorities for funding. The Request for Grant Applications is a competitive process and typically results in grant applications with total requests substantially exceeding the available funds.

The responsive STEP grant applications are reviewed and assessed by an independent team of qualified and knowledgeable individuals. The review teams usually include a member of the Alaska Workforce Investment Board and other knowledgeable representatives from the private sector. Each responsive application is assessed and evaluated according to published criteria and how well the application meets the purposes of the STEP. Finally, with guidance from the review team and my staff, as Commissioner of Labor and Workforce Development, I make the final decisions on the STEP competitive awards.

There are occasions in which the commissioner may make an award using discretion if it is the best interest of the state in meeting our statutory mission to train a prepared workforce and meet industry demand. For example, new applicants or those not familiar with the STEP occasionally are awarded grants at the discretion of the Department. Recently the Department exercised its authority and directed that a training grant to train specialty technicians be negotiated with a seafood processing company despite a review committee not recommending an award. The administration recognized that \$55 million had been invested by the state in revitalizing the fishing industry and that the applicant had submitted a request for foreign labor worker certification because of a lack of qualified Alaskans. By funding this training, the Department supported the state's investment in the seafood industry, mitigated the need to hire foreign workers, and fulfilled the purpose of the STEP, which is to increase training opportunities to the state's workers to protect against fluctuations in the economy and to prepare for technological changes in the workplace.

This is a competitive process, and we are usually unable to make awards to all applicants due to limited funds, and usually not for the total amount requested for successful applicants. In other instances, grant applications are not awarded due to ineligible project activities, inadequate grant applications, or the inability of an applicant to meet the Department's due diligence requirements. Department staff works with unsuccessful applicants to either improve their applications for future solicitations or to attempt to identify other funding sources that may be more appropriate for the proposed project.

The Honorable Joe Thomas

January 24, 2008

Page 3

During state fiscal years 2006 and 2007, the Department made \$6 million available for award and received 77 STEP grant applications that requested funding totaling \$16.4 million. Nineteen of these applications were from union training organizations requesting \$4.2 million. The remaining 58 applications were from other organizations requesting \$12.2 million in STEP funding. In those two years, the Department expended \$5.6 million to 42 different entities that served 2,899 individuals of which 682 or 23.5 percent were from rural communities. Of this amount, \$3.4 million was provided through 18 grants to union training organizations and \$2.2 million was provided through 24 grants to other organizations. The union training organizations contributed \$7.6 million in goods or services to the grants while the other organizations provided grantee contributions totaling \$1.4 million. The union training organizations trained 2,257 individuals at an average cost per participant to the STEP of \$1,519 and the other organizations trained 641 individuals at an average cost per participant to the STEP of \$3,434.

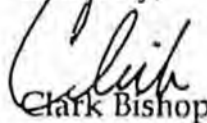
Within the last year, the Department undertook actions to make improvements in the administration of the STEP. As a continuation of this effort, I am appointing a STEP Task Force to review and assess the Department's administration of STEP and to make recommendations on areas for improvement. The STEP Task Force will be led by Deputy Commissioner David Stone and Director of Business Partnerships Corine Geldhof and will include primarily representatives from the private sector.

Historically the STEP has been established and reauthorized as a pilot program and is scheduled to sunset on June 30, 2008 (enclosed is the legislative history for STEP). This state program has served over 23,000 Alaskans since its inception in 1989. Additionally, STEP has consistently been the job training program in the state with the highest level of success. For example, in fiscal year 2006, 94 percent of the STEP participants were employed during the 12 months following their training.

With construction of the Alaska gasline on the horizon, increasing nonresident employment in Alaska, and the aging of our workforce, continuation of the STEP and training Alaskans for Alaska's skilled jobs is more important today than ever before.

Please let me know if the Department can provide you with any additional information regarding STEP.

Sincerely,



Clark Bishop  
Commissioner

Enclosure

2/22/00

Legislative History of the State Training and Employment Program (STEP)

SB 191

Chapter 95 - SLA 89

Establishment of two-year pilot project program

SB 188 am

Chapter 17 - SLA 91

Extended pilot program to June 30, 1993

SB 57

Chapter 17 - SLA 93

Extended pilot program to June 30, 1996

SB 229

Chapter 116 - SLA 96

Extended program two years (June 30, 1998); raised maximum weekly Unemployment Insurance (UI) benefit amount; changed coordinating entity from Alaska Job Training Council to Alaska Human Resource Investment Council AHRIC); imposed a 20 percent cap on administrative overhead

HCS CSSB 334(FIN) am H

Chapter 85 - SLA 98

Extended program to June 30, 2002; established administration of AHRIC (membership, meetings and per diem, committees, assessment and evaluation criteria, administrative costs, council funding mechanism, etc).

SB 252

Chapter 86 - SLA 02

Extended program to June 30, 2004; realigned statute to Alaska Workforce Investment Board (AWIB) from AHRIC; further changed membership, # of yearly meetings; made changes in response to state's audit of program; established yearly performance report to legislature, etc.

HB 559 am

Chapter 86 - SLA 04

Extended program to June 30, 2008

HB 226

CS HB 226 (FIN)

Extends program to June 30, 2009 (one-year only), requires a review of the program and published report to the legislature.

HB 224

2/22/08



February 20<sup>th</sup>, 2008

Senator Lyman Hoffman  
Senator Bert Stedman  
Co-Chairmen  
Senate Finance

Dear Senators Hoffman and Stedman:

As you consider HB 226 in your committee, please be aware of the following information in regard to the State Training and Employment Program (STEP).

The current version of the bill requires the department of labor to conduct a review of the STEP program and report back to the legislature by June 30, 2008. Extending the life of the program prior to that review and report should not be considered without a close look at what has happened with the program in the last 10 months, since the review and report requirement was added to the legislation.

The Request for Grant Applications (RGA) issued by the department of labor and dated May 8, 2007, contains what appear to be some serious problems. For instance, under the Scope of Services it states:

The department is allocating STEP grant funds for the following services. **Industry Specific Training.** Industry specific training is for industries that need trained workers by industry. . . This includes union and non-union journeyman training and apprenticeships. . .

Though it appears that STEP funds may, in some cases, be used for apprenticeship training, it is very clear that a journeyman does not fit within that definition. Workers who are qualified to be classified as journeymen are already well trained and working in some of the highest paying jobs in Alaska. While they sometimes have to receive training to keep certifications current, STEP funds should never be used for this type of training when we have

so many other Alaskan who do not earn anywhere near the average annual wage in Alaska because they do not have the training necessary to get jobs that pay these types of wages.

Further the Due Diligence section of the RGA states:

**Due Diligence Standards:** In order to be considered for a grant award pursuant to this request, all applicants must. . . 5. Not be in violation *or have matters pending with* the Departments' Occupational Health and Safety, Workers Compensation, Wage and Hour, and Unemployment Insurance Requirements . . .

While those who have been found to be in violation of the referenced statutes should be disqualified from receiving grants, it is inappropriate and likely illegal to disqualify an applicant who has a matter pending with the referenced departments. This seems to be an attempt to debar an applicant from a STEP grant in such a way this is in direct conflict with the debarment provisions of the Alaska Procurement Code.

In addition, the **Ownership of Grant Applications** section is a direct violation of the Public Records Act. A public entity like the Department of Labor and Workforce Development cannot give out public money taken from a public trust fund and refuse to disclose the applications and documents related to the review and grant process. While there might be some limited section of a grant that an applicant could argue is proprietary, it is totally inappropriate to give applicants the impression that the entirety of the application and attachments can be deem proprietary and not accessible to the public.

Finally, the most recent RGA brought up two new issues that must be addressed. To begin with, the RGA indicated that grants would be denied based on layout and typographical issues, rather than merit. This resulted in a large number of grants being denied. The outcry from those applicants who were denied required the department to reconsider those grants, thus delaying the release of grants by several months. That in turn led to a reduced amount of time for awardees to use the grant funds and complete their training. At least one entity rejected the grant they were awarded due to these constraints. In addition, the RGA indicated that the department reserved the right to "renew" grants at their discretion, without a competitive proposal process. This does not bode well for anyone, given the history of this program.

Thank You for Your Consideration-

Rebecca Logan  
President  
ABC Alaska

Chairman Stedman & committee members

Chris HARMON

2/22/08

IBEW 1547 MEMBER

I recently went through the apprenticeship program and was a recipient of the STEP FUNDS

These funds were an essential part of my training - I received Commercial Driver training; It helped with travel expenses & housing while away from home. Without these funds I may not have been able to complete the apprenticeship. Thanks to these funds I now have the knowledge needed to be a skilled craftsman.

I hope to see these funds continued for future skilled labor training.

THANKS

~~HB~~ Legislature PASS House Bill 226

Suggestions ARIC?  
ROBERT - mention single PARENT!

HB 226

2/22/08

Robert Cesar

- I am an apprentice electrician in the Federal registered Alaska Joint Electrical Apprenticeship & Training Trust *working for Ever Electric here in Juneau*
- I have a home here in Juneau and a *amazing father* family, with a young son who recently went through bone marrow transplants ~~to save his life, and this~~ *which* has left ~~us~~ *me* with ~~medical bills and~~ *some* financial burdens
- I recently attended the first of my 5 seven week classroom training sessions in Anchorage from October 29 through December 20, 2007.
- Due to some administrative problems between our training programs' grant submittal and the Dept. of Labor my class was not able to receive any help from STEP,
- I understand from others that have attended school in Anchorage from our area that those moneys have helped them immensely while having to maintain two households
- ~~I'm not looking for a handout just some help and~~ *I* urge you pass House Bill 226 and extend the STEP program so that I, my family, and others might get that help

Thank You.

HB 224