

ALASKA LEGISLATURE

1122

HOUSE and SENATE FINANCE COMMITTEE FILES,

1993-1994

196

ALASKA'S STATE TRAINING AND EMPLOYMENT PROGRAM (STEP) A BRIEF OVERVIEW

Purpose: The Alaska State Training and Employment Program was established to:

- Help prevent future claims against unemployment benefits.
- Foster new jobs by encouraging businesses to locate in the state due to the availability of a skilled labor force and by minimizing employers' unemployment costs, and
- Increase training opportunities to those workers severely affected by the fluctuations in the state economy or technological changes in the workplace.

History:

- STEP was established in 1989 as a two-year pilot project under Chapter 95, SLA 1989.
- The program was extended in 1991 as a two-year pilot under Chapter 17, SLA 1991.
- As of November 22, 1992 more than 2,400 participants have completed STEP training.
- STEP will be repealed as of July 1, 1993, unless it is reauthorized as a pilot program.

Program Operation:

- **FUNDING:** The program is funded through employee contributions to Unemployment Insurance (UI). One-tenth of one percent of each worker's wages subject to regular UI contributions is collected by the Alaska Department of Labor (DOL) and put into a special "Employment Assistance and Training Program Account." The money is then appropriated by the state legislature to fund STEP.
- **WHO NEEDS TRAINING:** DOL establishes eligibility priorities as identified in Chapter 95, SLA 1989 and targets projects and services based upon labor market information and input from the Alaska departments of Community and Regional Affairs, Education, and Commerce and Economic Development as well as the University of Alaska, organized labor, Alaska Native organizations, the Alaska Job Training Council (AJTC), and the private industry councils.
- **HOW THE FUNDS ARE ALLOCATED:** DOL may award a grant to the AJTC to implement the program. The AJTC, through the Job Training Partnership Office, allocates funds to the three service delivery areas (SDAs) using a formula that reflects target population characteristics. Each SDA contracts with training organizations in the communities it serves to deliver such services as classroom training, on-the-job training, and so on and/or keeps funds to provide services directly to clients.

- **HOW FUNDS ARE MATCHED WITH THOSE WHO NEED TRAINING:**

Contractors actively recruit clients for their projects; and the SDA's market their programs through mailings, a referral network with partner social service agencies, and presentations to other organizations. Participants must meet one of eight employment-related criteria specified in the legislation (such as unemployed and receiving UI benefits, unemployed and exhausted the right to UI benefits within the past three years.). SDA's also directly provide training and services to clients in their respective areas.

Alaska State Training and Employment Program
Selected Program Statistics:
July 1989 to November 1992

- Two thirds of the program participants were between the ages of 30 and 54. Twenty eight percent were female.
- Sixty nine percent of program participants were eligible for the program because they were receiving or had exhausted their unemployment insurance benefits.
- Nineteen percent of STEP program completers entered a new job that had never before been filled.
- The Employment Assistance Demonstration Project, conducted by the Alaska Department of Labor, was designed to provide intensive employment assistance workshops to unemployment insurance recipients. The program showed an overall placement rate of 29.6%.
- For successful STEP participants, the average wage for the four quarters after STEP training increased by 8% compared to the four quarter average wage before training. The average wage of all Alaska workers was virtually stagnant during this same time period.
- The average number of claims by quarter for the year following completion of the STEP program was 24% less than the number of claims submitted in the quarter immediately before STEP training.
- The average number of weeks claimed by STEP participants after program completion was 17.9 compared to 16.3 weeks for the total claimant population.
- For those currently working and for which occupational data is available, approximately 64 percent are working in occupations related to their training.

STEP Program Statistics From Start of Program Through November 22, 1992

Demographic Characteristics		STEP Program Eligibility	
Male	1,751	Are receiving unemployment insurance benefits	1,352
Female	680	Have exhausted the right to unemployment insurance benefits	321
White	1,734	Employed but liable to be displaced within next six months because:	
Black	108	Reduction in overall employment within a business	104
Hispanic	81	Elimination of a workers current job	56
AK Native/American Indian	448	Change in conditions of employment that require learning substantially different skills	291
Asian or Pacific Islander	60	Have worked in a position covered by AS 23.20 during the last 3 years, but not now eligible for unemployment insurance benefits because:	
Age 16-21	161	Employment has been seasonal, temporary, part-time or marginal	193
Age 22-29	472	Qualifying wages are insufficient because of limited job opportunity	66
Age 30-54	1,626	They are underemployed and need employment assistance and training to obtain full employment	48
Age 55+	172	Source: Job Training Partnership Office	

Program Services Provided	
Industry specific training	722
OJT	54
Institutional or classroom job-linked training	1,406
Supportive services including allowances	505
Relocation assistance	0
Provision of necessary tools, clothing, safety equipment	24
Employment assistance	152
Note: Multiple services provided to program participants. Source: Job Training Partnership Office.	

Outcomes of STEP Participants	
Entered new job (job never filled before)	416
Entered job which had been vacated	197
Received training to protect against fluctuations in the economy and to prepare for technological changes in the workplace	1,340
Reduction of current and/or future claims against unemployment insurance (improved skill level to make participants more employable)	250
Nonpositive outcomes	181
Source: Job Training Partnership Office	

Alaska State wide Training and Employment Program
Training Activity by Selected Eligibility Criterion*

Training Activity	Eligibility Criterion						
	SFY 90						
	Skills not in demand	Limited area employment	Physical/Mental disabilities	Older Worker	Member Welfare home	UI claims for 13+ wks.	Face long term unemployment
Industry specific							
On the job training							
Classroom training	51	79	2	7	11	36	66
Support Services	7	9		4	1	7	5
Relocation Assistance							
Tools, Clothing, etc.							
Career counseling							
Upgrading skills							

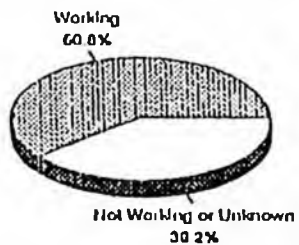
Training Activity	Eligibility Criterion						
	SFY 91						
	Skills not in demand	Limited area employment	Physical/Mental disabilities	Older Worker	Member Welfare home	UI claims for 13+ wks.	Face long term unemployment
Industry specific	45	64	1	8	7	22	57
On the job training	14	10	2	6	1	3	15
Classroom training	599	584	35	153	56	213	487
Support Services	126	113	14	42	7	56	133
Relocation Assistance							
Tools, Clothing, etc.	3	4		1			3
Career counseling	29	26	1	4	4	9	23
Upgrading skills	1						1

*Criterion may vary by program year. Data represents 1482 clients who received services in the first 2 years of program operation.

A participant may use more than one training activity

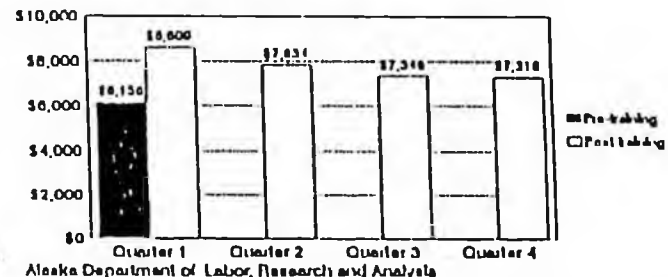
Sources: Alaska Department of Labor, Research and Analysis

**Work Status in 2nd Quarter 1992 of STEP Participants
Completing Program in SFY 00-91**



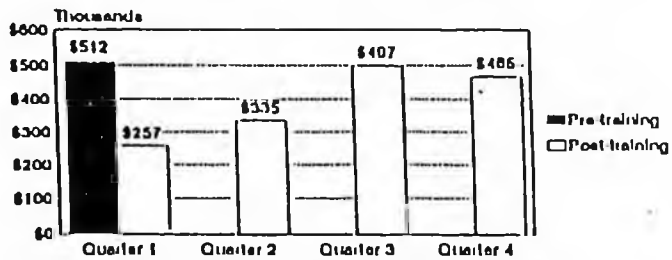
Source: Alaska Department of Labor, Research and Analysis

**Average Quarterly Earnings
For STEP Participants SFY 90-91**



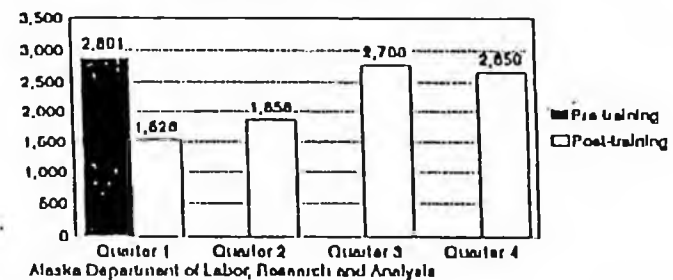
Alaska Department of Labor, Research and Analysis

**Total Regular Alaska Unemployment Insurance Payments
For STEP Participants SFY 00-91**



Source: Alaska Department of Labor, Research and Analysis

**Total Regular Alaska Unemployment Insurance Benefit Weeks
For STEP Participants SFY 00-91**



Alaska Department of Labor, Research and Analysis

Chapter 17

AN ACT

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

3
4
5
6 * Section 1. Section 2, ch. 95, SLA 1989, is amended to read:

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

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

13 (a) In the manner provided in AS 23.20, the department shall collect from each employee
14 an amount equal to one-tenth of one percent of the wages, as set out in AS 23.20.175, on which
15 the employee is required to make contributions under AS 23.20.290(d). This subsection applies
16 to amounts due and collected from July 1, 1989, through June 30, 1993 [1991], on wages for
17 employment performed from July 1, 1989, through June 30, 1993 [1991]. The department shall
18 remit to the Department of Revenue, in accordance with AS 37.10.050, money collected under
19 this subsection.

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

21 Sec. 15. Section 13 of this Act takes effect July 1, 1993 [1991].

Chapter 17

· Eff. 6/6/91

1 • Sec. 4. This Act takes effect immediately under AS 01.10.070(c).

WALTER J. HICKEL
GOVERNOR



STATE OF ALASKA
OFFICE OF THE GOVERNOR
JUNEAU

January 22, 1993

The Honorable Rick Halford
President of the Senate
Alaska State Legislature
State Capitol
Juneau, AK 99801-1182

Dear President Halford:

Under the authority of art. III, sec. 18, of the Alaska Constitution, I am transmitting a bill that extends for three years the pilot project for the state training and employment program.

The pilot project was enacted in 1989 (ch. 95, SLA 1989) as a two-year program, and was extended for two additional years (to July 1, 1993) in 1991 (ch. 17, SLA 1991). This bill amends sec. 4(a), ch. 95, SLA 1989, as amended by ch. 17, SLA 1991, to extend the date for collecting money through the unemployment insurance system to support the training program, and again extends the expiration date of the project (to June 30, 1996).

The pilot project, administered by the Department of Labor and the Department of Community and Regional Affairs, provides much-needed job training to unemployed workers in order to reduce unemployment insurance benefit expenditures. This project also assists Alaskans who need to upgrade their job skills in order to maintain their employability. This training program has broad-based support from both labor and industry.

I urge your prompt consideration and passage of this bill.

Sincerely,

A handwritten signature in cursive script that reads "Walter J. Hickel".

Walter J. Hickel
Governor

SB

57

SFIN

FILE

SENATE FINANCE COMMITTEE REPORT

DATE: 2/3/93

FURTHER:

DATE TURNED INTO OFFICE: 4-8-93

The Finance Committee considered **SENATE BILL NO. 57**

Employment contributions and to extending the pilot project for the state training and employment program; efd.

and recommends:

- replace with _____ CS _____ (FINANCE)
- or adopt previous _____ CS _____
- attaches amendment(s)

- same title
- new title
- technical title change (HB only)

adopts _____ Letter of Intent

further referral to the _____

do pass

do not pass

no recommendation

individual recommendations

NEW FISCAL NOTES

Department	Date	Zero	Fiscal
SFC/DOLabor	4-8-93	0	
SFC/DC&RA-Service	4-8-93	0	
SFC/DC&RA-Train	4-8-93	0	

PREVIOUS FISCAL NOTES

Department	Date	Zero	Fiscal

Appropriation No Fiscal Note

DO PASS:

[Signature]

[Signature]

[Signature]

[Signature]

1. Do not do pass
 Co-Chair: Signature/Recommendation

OTHER RECOMMENDATIONS:

2. True finance - in pass
 Co-Chair: Signature/Recommendation

F I S C A L N O T E

REQUEST:

Revision Date: _____ Affected Agency: DC&RA
 Title: Extend STEP BRU: Employ Train.
Prog. to 1996 Rural Develop. Training
 Sponsor: Rules/Governor Components: 1012
 Requestor: Senate Finance

EXPENDITURES/REVENUES: (THOUSANDS OF DOLLARS)

OPERATING	FY 94	FY 95	FY 96	FY 97	FY 98	FY 99
Personal Services						
Travel						
Contractual						
Supplies						
Equipment						
Land & Structures						
Grants, Claims						
Miscellaneous						
TOTAL OPERATING	0.0	0.0	0.0	0.0	0.0	0.0

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

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

FUNDING: (THOUSANDS OF DOLLARS)

General Fund						
Federal Fund						
Other						
TOTAL	0.0	0.0	0.0	0.0	0.0	0.0

POSITIONS:

Full-Time						
Part-Time						
Temporary						

Estimate of FY 93 impact: 0.0

ANALYSIS: (ATTACH A SEPARATE PAGE IF NECESSARY)

Funding for extension of the STEP program is included within the FY 94 operating budget.

Prepared By: *Steve Pearce* Date: 4/8/93
 Senator Steve Pearce, Co-chair Phone: 465-4993
 Senate Finance Committee

Prepared By: *Steve Frank* Date: 4/8/93
 Senator Steve Frank, Co-chair Phone: 465-3709
 Senate Finance Committee

FISCAL NOTE

REQUEST:

Revision Date: _____ Affected Agency: DOLabor
 Title: Extend STEP BRU: Employ. Security
Prog. to 1996 Training Employ. Program
 Sponsor: Rules/Governor Components: 1184
 Requestor: Senate Finance

EXPENDITURES/REVENUES: (THOUSANDS OF DOLLARS)

OPERATING	FY 94	FY 95	FY 96	FY 97	FY 98	FY 99
Personal Services						
Travel						
Contractual						
Supplies						
Equipment						
Land & Structures						
Grants, Claims						
Miscellaneous						
TOTAL OPERATING	0.0	0.0	0.0	0.0	0.0	0.0

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

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

FUNDING: (THOUSANDS OF DOLLARS)

General Fund						
Federal Fund						
Other						
TOTAL	0.0	0.0	0.0	0.0	0.0	0.0

POSITIONS:

Full-Time						
Part-Time						
Temporary						

Estimate of FY 93 impact: 0.0

ANALYSIS: (ATTACH A SEPARATE PAGE IF NECESSARY)

Funding for extension of the STEP program is included within the FY 94 operating budget.

Prepared By: *Drue Pearce* Date: 4/8/93
 Senator Drue Pearce, Co-chair
 Senate Finance Committee Phone: 465-4993

Prepared By: *Steve Frank* Date: 4/8/93
 Senator Steve Frank, Co-chair
 Senate Finance Committee Phone: 465-3709

F I S C A L N O T E

REQUEST:

Revision Date: _____ Affected Agency: DC&RA
 Title: Extend STEP BRU: Employ Train.
Prog. to 1996 Rural Develop. Service
 Sponsor: Rules/Governor Components: 1178
 Requestor: Senate Finance

EXPENDITURES/REVENUES: (THOUSANDS OF DOLLARS)

OPERATING	FY 94	FY 95	FY 96	FY 97	FY 98	FY 99
Personal Services						
Travel						
Contractual						
Supplies						
Equipment						
Land & Structures						
Grants, Claims						
Miscellaneous						
TOTAL OPERATING	0.0	0.0	0.0	0.0	0.0	0.0

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

FUNDING: (THOUSANDS OF DOLLARS)

General Fund						
Federal Fund						
Other						
TOTAL	0.0	0.0	0.0	0.0	0.0	0.0

POSITIONS:

Full-Time						
Part-Time						
Temporary						

Estimate of FY 93 impact: 0.0

ANALYSIS: (ATTACH A SEPARATE PAGE IF NECESSARY)

Funding for extension of the STEP program is included within the FY 94 operating budget.

Prepared By: Drue Pearce Date: 4/8/93
 Senator Drue Pearce, Co-chair Phone: 465-4993
 Senate Finance Committee

Prepared By: Steve Frank Date: 4/8/93
 Senator Steve Frank, Co-chair Phone: 465-3709
 Senate Finance Committee

Back-up

FISCAL NOTE

No. 1

Bill Version: SB 57

(S) Publish Date: 1/22/93

Revision Date: _____ Dept. Affected: Community & Regional Affairs
 Title: "An Act relating to employment
contributions and to extending the...project..." BRU: Employ/Train/Rural Development
 Sponsor: _____ Component: Statewide Service Delivery
 Requestor: _____ COMPONENT SERIAL NO. 1178

Expenditures/Revenues: (Thousands of Dollars)

OPERATING	FY 94	FY 95	FY 96	FY 97	FY 98	FY 99
PERSONAL SERVICES	78.0	79.5	81.0			
TRAVEL	7.2	7.2	7.2			
CONTRACTUAL	10.0	12.8	15.9			
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS	1218.6	1276.4	1335.6			
MISCELLANEOUS						
TOTAL OPERATING	1313.8	1375.9	1439.7			
CAPITAL						

REVENUE FUND SOURCE:	1007	1007	1007			
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FUNDING: (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF						
1005 GF/Program Receipts						
1006 GF/MHTIA						
Other 1007 Interagency	1313.8	1375.9	1439.7			
TOTAL	1313.8	1375.9	1439.7			

POSITIONS:

FULL-TIME	1	1	1			
PART-TIME						
TEMPORARY						

Estimate of current (FY93) Impact \$ 0

ANALYSIS: (Attach a separate page if necessary)

The State Training and Employment Program (STEP) ends as of June 30, 1993. However, the above line item amounts and permanent full-time positions are contained in the department's operating budget request for FY 94 pending sunset review results. The position is a Grants Administrator II, Range 17.

SEE ATTACHMENT

Prepared by: Remond Henderson Phone: 465-4708

Division: Division of Administrative Services Date: 12/14/92

Approved by Commissioner: [Signature] Deputy Commissioner Date: 12/14/92

Agency: Department of Community & Regional Affairs

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Fiscal Note Analysis
for

"An Act relating to employment contributions... and extending the pilot project..."
for the State Training and Employment Program (STEP).

Program Effects

The bill authorizes a three year extension of a 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.

Comments

The Department of Community and Regional Affairs (DCRA) supports this bill. Through a unique agreement with the Alaska Department of Labor this department has offered the training opportunities to Alaskans utilizing the Service Delivery Areas set up under the federal Job Training Partnership Act (JTPA). The program is operated in all parts of the state and has proven to be an effective service delivery strategy.

Funds transferred under this agreement are to be considered a grant to the Alaska Job Training Partnership Office acting as the administrative agency for AJTC. Funds transferred under this agreement are granted to allow the AJTC to provide employment assistance and/or training grants in order to reduce future claims against unemployment benefits, foster new jobs by encouraging business to locate in the state due to the availability of a skilled labor force, and increase training opportunities for workers affected by economic fluctuation of technological change.

FISCAL NOTE

No. 2

Bill Version: SB 57

(S) Publish Date: 1/22/93

Revision Date: _____ Dept. Affected: Community & Regional Affairs
 Title: "An Act relating to employment
contributions and to extending the ...project..." BRU: Employ/Train/Rural Development
 Component: State Employment & Training
 Sponsor: _____
 Requestor: _____ COMPONENT SERIAL NO. 1012

Expenditures/Revenues: (Thousands of Dollars)

OPERATING	FY 94	FY 95	FY 96	FY 97	FY 98	FY 99
PERSONAL SERVICES	75.8	78.5	81.2			
TRAVEL	5.0	5.0	5.0			
CONTRACTUAL	20.8	22.9	25.1			
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS	1970.6	2063.8	2159.4			
MISCELLANEOUS						
TOTAL OPERATING	2072.2	2170.2	2270.7			

CAPITAL						
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REVENUE FUND SOURCE:	1007	1007	1007			
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FUNDING: (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF						
1005 GF/Program Receipts						
1006 GF/MHTIA						
Other 1007 Interagency	2072.2	2170.2	2270.7			
TOTAL	2072.2	2170.2	2270.7			

POSITIONS:

FULL-TIME	1	1	1			
PART-TIME						
TEMPORARY						

Estimate of current (FY93) Impact \$ 0

ANALYSIS: (Attach a separate page if necessary)

The State Training and Employment program (STEP) ends as of June 30, 1993. However, the above line item amounts and permanent full-time position are contained in the department's operating budget request pending sunset review results. The position is a Grants Administrator III, Range 19.

Prepared by: Remond Henderson Phone: 465-4708
 Division: Division of Administrative Services Date: 12/14/92
 Approved by Commissioner: [Signature] Deputy Commissioner Date: 12/14/92
 Agency: Department of Community & Regional Affairs

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Fiscal Note Analysis
for

"An Act relating to employment contributions... and extending the pilot project..."
for the State Training and Employment Program (STEP).

Program Effects

The bill authorizes a three year extension of a 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.

Comments

The Department of Community and Regional Affairs (DCRA) supports this bill. Through a unique agreement with the Alaska Department of Labor this department has offered the training opportunities to Alaskans utilizing the Service Delivery Areas set up under the federal Job Training Partnership Act (JTPA). The program is operated in all parts of the state and has proven to be an effective service delivery strategy.

Funds transferred under this agreement are to be considered a grant to the Alaska Job Training Partnership Office acting as the administrative agency for AJTC. Funds transferred under this agreement are granted to allow the AJTC to provide employment assistance and/or training grants in order to reduce future claims against unemployment benefits, foster new jobs by encouraging business to locate in the state due to the availability of a skilled labor force, and increase training opportunities for workers affected by economic fluctuation of technological change.

FISCAL NOTE

Bill Version: SB 57
 (S) Publish Date: 1/22/93

STATE OF ALASKA
 1993 LEGISLATIVE SESSION

BILL NO :

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

Department Affected: Labor
 BRU: Employment Security
 Component: State Training & Employment Program
 COMPONENT SERIAL NO. 1184

EXPENDITURES/REVENUES: (Thousands of Dollars)

OPERATING	FY 94	FY 95	FY 96	FY 97	FY 98	FY 99
PERSONAL SERVICES	22.6	22.6	22.6			
TRAVEL						
CONTRACTUAL	3,625.9	3,786.0	3,950.3			
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	3,648.5	3,808.6	3,972.9	0.0	0.0	0.0

CAPITAL						
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REVENUE FUND SOURCE:	STEP # 1054	STEP # 1054	STEP # 1054			
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FUNDING: (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF						
1005 GF/Program Receipt						
1006 GF/MHTIA						
1054 St Trng & Empl Prog	3,648.5	3,808.6	3,972.9			
TCTAL	3,648.5	3,808.6	3,972.9	0.0	0.0	0.0

POSITIONS:

FULL-TIME						
PART-TIME						
TEMPORARY						

Estimate of current year (FY93) impact: \$ 0.0

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: 11/13/92
 Approved by Commissioner: C. W. Mahlen
 Agency: Department of Labor Date: 11/13/92

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**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 three years. 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 State Employment and Training Program fund.

Revenue calculations are as follows:

	<u>FY 94</u>	<u>FY 95</u>	<u>FY 96</u>
Estimated taxable wages	\$3,840,500.00	\$4,009,100.00	\$4,182,000.0
Multiply by one-tenth of 1% to arrive at estimated revenues	3,840.5	4,009.1	4,182.0
Adjust for 95% collection rate	<u>(192.0)</u>	<u>(200.5)</u>	<u>(209.1)</u>
<u>Estimated total revenues available</u>	\$3,648.5	\$3,808.6	\$3,972.9

Of the money collected annually, the Department of Labor will retain \$22.6 for collection and accounting efforts and \$239.9 for maintaining the department's Occupational Data Base and for program review and evaluation. The annual evaluation report will include the resident hire information required by AS 36.10.130. The balance (\$3,386.0 in FY 94) will be transferred to the Department of Community & Regional Affairs for employment assistance and training grants.

These expenditures and revenues are included in the FY 94 proposed operating budget for the Department of Labor.

Assumptions:

1. Program would continue for three additional years (FY 94 - FY 96).

Alaska State Legislature

Telephone Number:
(907) 465-4942

FAX Number:
(907) 465-2997

Session Address:
State Capitol, Room 125
Juneau, Alaska 99801-1182



Chair:
Rules Committee

Vice-Chair:
Finance Committee

Member:
Judiciary Committee
Legislative Council

Senator George Jacko

MEMORANDUM

TO: Senator ~~Dave~~ Pearce, Co-Chair
Senate Finance Committee

FROM: Senator ~~George~~ Jacko, Chair
Senate Rules Committee

DATE: March 18, 1993

SUBJECT: Scheduling Request -- SB 57
Extend State Training and Employment Training Program

=====

Please consider scheduling this bill for a hearing in the Senate Finance Committee at your earliest convenience.

SB 57, introduced by the Rules Committee at request of the Governor, extends the pilot project for the State Training and Employment Training Program (S.T.E.P) from 1993 until 1996.


This program is funded by employee contributions that would otherwise go to Alaska's Unemployment Insurance Trust Fund. The S.T.E.P. program was established in 1989 as a two year pilot project and extended for two years in 1991.

STEP was established to help prevent future claims against unemployment benefits, to foster new jobs by encouraging businesses to locate in the state and to increase training opportunities for workers affected by fluctuations in the state economy or technological changes in the workplace.

GJ/ls

DEPT. OF COMMUNITY & REGIONAL AFFAIRS

RURAL DEVELOPMENT DIVISION


P.O. BOX 112100
JUNEAU, ALASKA 99811-2100
PHONE: (907) 465-4890
FAX: (907) 465-3212

March 15, 1993

The Honorable Drue Pearce
Alaska State Legislature
State Capitol
Juneau, Alaska 99811-1182

Dear Senator Pearce:

This letter is in response to questions from your office regarding the State Training and Employment Program (STEP). Should there be follow-up questions or if you or staff would like to discuss the issues further, please feel welcome to contact me directly.

Question: What are the administrative costs with respect to the STEP program, both within the Department of Community and Regional Affairs (DCRA) and the Department of Labor (DOL)?

Response: Funds for the STEP program are collected by DOL and transferred as inter-agency receipts to the Alaska Job Training Council (AJTC), within DCRA, for distribution to the three service delivery areas (SDA's): Anchorage/Mat-Su, Fairbanks, and Statewide (the Statewide Service Delivery Area within DCRA). DCRA is directed to provide administrative support to the AJTC through the Job Training Partnership Office (JTPO), to administer the program (ch. 95, SLA 1989, and ch. 17, SLA 1991, sec. 8 (c)). In addition, as DCRA is one of the eligible SDA's, administration costs are assessed at this level, as reported within our budget document.

STEP administration costs are limited to 15%. The total amount of inter-agency funds is assessed at 3% administration for overall JTPO costs. In FY 94 proposed, this amount equals \$101.58 ($\$2,072.2 + \$1,313.8 \times .03$). Each recipient SDA, i.e. Anchorage/Mat-Su, Fairbanks and the Statewide Service Delivery area, is allowed the remaining 12% administration fee. For our Statewide SDA, this amounts to \$157.7 ($\$1,313.8 \times .12$), of which we've budgeted \$95.2.

Senator Drue Pearce
March 15, 1993
Page two

Breakdown of administration costs within the Employment/Training Rural Development BRU, State Employment and Training Component, i.e., the statewide JTPO, acting as administrative support for the AJTC, is as follows:

Personal Services	\$ 75.8
Travel	5.0
Contractual	20.8
Total Administration	\$ <u>101.6</u>

Personal services is for one PFT Grants Administrator III, R 19JK, located in Anchorage. Travel is for that position. Contractual is for an RSA with the University of Alaska for computer services with respect to participant eligibility and reporting.

FY 94 proposed administration costs within the Employment/Training/Rural Development BRU, Statewide Service Delivery Component, i.e., the SDA responsible for serving all areas of the state except Anchorage/Mat-Su and Fairbanks, are as follows:

Personal Services	\$ 78.0
Travel (approximately)	7.2
Contractual (approximately)	10.0
Total	\$ <u>95.2</u>

Personal services is for one PFT Grants Administrator II, R 17FG, located in Juneau and partial salary for field office staff. Travel is for these positions. Contractual is for subscription fees to the University of Alaska for computer services with respect to participant eligibility and reporting.

The remainder of funds, 88% of inter-agency transfers, is granted through the Request For Proposal process or through field office walk-in or on-the-job training programs. Sub-grantees are generally not allowed administrative costs, unless, through negotiation, the SDA reduces administrative oversight and requires it of the grantee. In this manner, and consistent with the intent of the statute and in compliance with the regulations, the program is not overly burdened with administrative overhead.

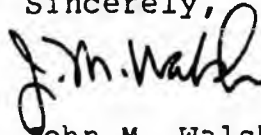
Regarding the question of DOL administrative costs, I can only relay that their involvement is not duplicative. I would however, prefer that they address their actual expenditures instead of speaking for them.

Senator Drue Pearce
March 15, 1993
Page three

In light of proposed budget reductions, and a clear demand for employment training throughout the state, I urge you to prioritize scheduling of this bill or we risk the likelihood of sunsetting a very practical, productive effort that is rapidly gaining support in the private sector. Discontinuation of the program will have immediate impacts on the numerous economic development initiatives currently underway, including mining training, community development quota training, home health care attendant training, nurse's aide training, salmon roe technician training (displacing some 2000 foreign nationals currently working during the summer months in Alaska), rural utility managers' training, and more.

If we can be of further assistance, please let me know. Time is of the essence and our concern is that the bill may lapse due to inactivity. Thank you.

Sincerely,



John M. Walsh
Deputy Director

cc: Ms. Arbe Williams, DOL
Mr. Bruce Geraghty, DCRA

Enclosure

STATE OF ALASKA

DEPARTMENT OF LABOR

*Employment Security Division
Director's Office*

WALTER J. HICKEL, GOVERNOR

1111 W. 8th Street, Suite 208

P.O. Box 25509

JUNEAU, ALASKA 99802-5509

Phone: (907) 465-2712

FAX: (907) 465-4537

March 4, 1993

The Honorable Rick Halford
President of the Senate
State Capitol, Room 111
Juneau, Alaska 99801-1182

Dear Senator Halford:

The Employment Security Advisory Council recently met in Juneau and wish to advise you of our support for Senate Bill 57, "An act relating to employment contributions extending the pilot project for the state training and employment program; and providing for an effective date," without any amendments.

As representatives of employers and employees in the state, we have traditionally advised the Department on matters relating to employment service and unemployment insurance programs as well as other employment and training programs operated by the Department of Labor.

When the State Training and Employment Program (STEP) was originally proposed in 1988, the Employment Security Advisory Council reviewed that proposal and endorsed the concept because we believed that training targeted to unemployment insurance recipients would benefit both employers and employees covered by the state's unemployment program. Unemployment Insurance funds that would have been deposited in the Unemployment Insurance Trust Fund are used to fund STEP. Therefore, we the members of the Employment Security Advisory Council believe that any expenditure of these fund should have a positive impact on the trust fund. Training should be targeted to reduce unemployment insurance outlays.

Last year, the Fairbanks Native Association (FNA) received a designated grant using STEP revenues. The Employment Security Advisory Council strongly objects to designated grants from STEP funds. In particular, the grant to the FNA does not meet the criteria or target groups established by law for a training grant under STEP.

The Honorable Rick Halford
President of the Senate

-2-

March 4, 1993

While the FNA model employment program may have merit and we have no opposition to state funds being appropriated for this project, we are very concerned that the Legislature's special earmarking of these funds for FNA sets a precedent that will open the door for further abuse and dilution of the program's goals and intent.

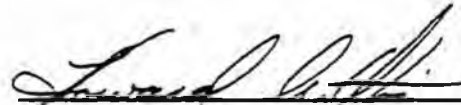
The Employment Security Advisory Council is aware that many of the STEP program's original supporters are concerned that unemployment insurance taxes will increase to support programs not related to reducing unemployment insurance costs.

The Employment Security Advisory Council supports Senate Bill 57 with no amendments and no designated grants that would violate the original intent of the STEP program.

cc: All Members of the Senate



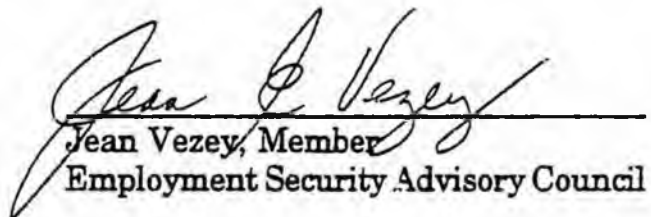
Edward Janzen, Chairman
Employment Security Advisory Council



Howard Otis, Member
Employment Security Advisory Council



Larry Shelver, Member
Employment Security Advisory Council



Jean Vezey, Member
Employment Security Advisory Council



Willie Lewis, Member
Employment Security Advisory Council

MEMORANDUM

State of Alaska **MAR 02 1993**

COMMUNITY AND REGIONAL AFFAIRS

TO: Representative Eileen MacLean
Chair, House Finance Subcommittee
Community & Regional Affairs Budget

DATE: March 2, 1993

FILE NO: 1075m

TELEPHONE NO: 465-4898

THRU: Mr. Bruce Geraghty
Deputy Commissioner
Community & Regional Affairs

SUBJECT: Departmental Review
FNA STEP Grant

FROM: John M. Walsh
Deputy Director
Division of Community and Rural Development

As requested, I have reviewed this division's actions with respect to the Fairbanks Native Association (FNA) designated training grant (Sec. 44, ch. 136, SLA 1992, page 80, line 20).

Following is a brief recap of activity;

July 22, 1992. Memorandum (attachment 1) was prepared and delivered to Mr. Samuel Demientieff identifying the particular appropriation in the budget and providing copy of the actual citation. Within this memorandum was clear indication that the grant was to be developed in compliance with the State Training & Employment Program (STEP) regulations, signed by Lt. Governor Coghill, July 23, 1992 and effective August 22, 1992 (attachment 2).

July 24, 1992. Preliminary teleconference was held with FNA staff (Mr. Demientieff, Mr. Regitano, Ms. Hamsley) and department staff (Mr. Mailer, Ms. Tuovinen, Ms. Thompson, and me). Parties agreed to have Ms. Thompson, the STEP staff within the Job Training Partnership Office (JTPO), travel to Fairbanks and negotiate the grant with FNA staff. During this meeting, Ms. Thompson was to explain the STEP program requirements and grant conditions.

July 24, 1992: I placed a phone call to Ms. Debra Behr, Department of Law (DOL), discussing the plan to prepare a STEP grant on this particular appropriation. Ms. Behr indicated that if the appropriation had conditions placed on it, the department could impose these restrictions within the grant. Review of the appropriation, page 9 of the component budget analysis (see attachment 1), clearly identified the appropriation as "STEP funds for a grant under AS 37.05.316." I interpreted this, in combination with previous legislative testimony by committee members during the House Finance budget hearings on the STEP program, as expressed legislative intent that STEP funds were to be treated as separate from overall general funds. Accordingly, I directed staff to proceed with the grant agreement as expressed in my July 22 memo to FNA and discussions during the teleconference of July 23. My understanding was that if the legislature had desired the appropriation to be general fund, they would have expressed that intent as they do with every other designated grant in that component.

September 8, 1992: FNA signs completed STEP grant application, subject to standard terms and conditions of the STEP training program regulations.

September 14, 1992: DCRA signs said grant agreement thereby authorizing FNA to begin operations, effective July 1, 1992, under the agreement. (attachment 3)

September 17, 1992: DCRA receives letter from FNA dated September 15, 1992 indicating the training program is operating consistent with the STEP program requirements and raising future funding concerns as the department prepared its FY94 budget request. (attachment 4)

January 19, 1993: FNA delivers a letter, dated January 19, 1993, (attachment 5) to DCRA requesting an amendment to the grant to allow for training of individuals who "do not meet State Training Employment Program (STEP) eligibility requirements." Basically, this letter requests deletion of the majority of terms and conditions of the STEP grant agreement. Attached to the January 19 letter is a Legislative Legal Services opinion, prepared by Ms. Teresa Cramer, at the request of FNA through Senator Steve Franks' office, suggesting that the appropriation from STEP program "is available for appropriation by the legislature without limitation from the STEP program itself as to how the legislature may direct the use of the money."

January 25, 1993: Mr. Regitano and Mr. Demientieff visit the DCRA Juneau office and discuss operations to date as well as indicating an intention to solicit legislative funding during the budget process. During this meeting, frustration was expressed with the Fairbanks Private Industry Council (Fairbanks PIC) and the typical delay in grant funding following the approval of the state budget by the Governor, suggesting we consider receiving applications prior to the end of the current fiscal year, subject to approval of the upcoming budget. No commitments to this suggestion were made by DCRA staff.

February 1, 1993: Mr. Geraghty, Ms. Williams, Department of Labor, Mr. Stastny, Director Office Management & Budget, and I, meet to discuss the FNA grant. Following discussions, DCRA contacts FNA and informs them the STEP grant will be closed and remaining balance will be reissued as a direct legislative grant, under AS 37.05.316, assuming general funds and without STEP program regulation restrictions.

February 10, 1993: DCRA receives FNA letter dated February 9, 1993 indicating final close out figure and projected closing date of the STEP grant. (attachment 6)

February 15, 1993: DCRA receives final close out, dated February 15, 1993, of the STEP grant, performance to date on the STEP grant, program goal and scope of the new legislative grant, program budget detail and program budget narrative. (attachment 7)

February 18, 1993: Deputy Commissioner Geraghty, Mr. Sam Demientiff, Ms. Demmert, FNA, and Ms. Linda Anderson, FNA Lobbyist, meet to discuss departmental policy with regards to direct funding for their program. (I was unable to attend due to a schedule conflict.)

February 22, 1993: All pertinent materials relating to this grant are transferred from this division to the Division of Administrative Services Director, Mr. Remond Henderson, for development of the legislative grant.

March 1, 1993: Deputy Commissioner Geraghty requests review of events with respect to the FNA grant.

Enclosures

DIVISION OF LEGAL SERVICES

LEGISLATIVE AFFAIRS AGENCY STATE OF ALASKA

(907) 465-3867 or 465-2450
FAX (907) 465-2029
Mail Stop 3101

130 Seward Street, Suite 409
Juneau, Alaska 99801-2105

MEMORANDUM

March 1, 1993

SUBJECT: Use of State Training and Employment Program funds for other purposes (Work Order No. 8-LS0745)

TO: Representative Gene Therriault

FROM: Teresa B. Cramer *TBC*
Legislative Counsel

You have asked whether the legislature is restricted from using money in the State Training Employment Program (STEP) fund for other purposes. Specifically, you ask whether there are any federal restrictions and whether the STEP funds must be funnelled through the unemployment trust fund account in the Department of Labor.

Short answer. I have not been able to find any federal or state restrictions that would limit the legislature's use of money in the fund. Therefore, in my opinion, the legislature may appropriate the STEP money for other purposes without restriction from the federal government. In my opinion, the funds should not pass through the unemployment trust fund account.

Discussion

1. Restrictions on use of STEP money.

The State Training and Employment Program was established as a two-year pilot program^{1/} to "finance and award grants to employment assistance and training entities." Sec. 2, ch. 95, SLA 1989. The employment assistance and training program fund is established in the Department of Labor by sec. 3, ch. 95, SLA 1989, as amended by sec. 33, ch. 2, FSSLA 1992, which states:

The employment assistance and training program fund is established in the department. Deposits in the fund are not general fund program receipts. The annual estimated balance in the fund may be appropriated by the legislature to the department to implement this Act. If the entire estimated balance is

^{1/} In 1991, the program was extended for an additional two years. Ch. 17, SLA 1991.

not used to implement this Act during a fiscal year, the legislature may make appropriations from the employment assistance and training fund to the unemployment compensation fund established in AS 23.20.130.^{2/}

The language concerning how the money in the fund should be used must be read as identifying the expectations or goals of the legislature in 1992 as to how the legislature would use the fund in the future. To do otherwise would result in the creation of a dedicated fund, prohibited by Art. IX, sec. 7 of the state constitution unless the dedication is required by the federal government in order for the state to participate in a federal program.^{3/} I have found nothing in federal or state statutes that requires that these funds be dedicated. The Department of Labor has indicated that the funds are not raised in response to a federal requirement. Therefore, in my opinion, the money raised under the STEP program is available for appropriation by the legislature for any public purpose, not just the purposes listed in the law establishing the program.

2. Unemployment Trust Fund Account.

You have also asked whether the money collected through the STEP program must be passed through the unemployment trust fund account. That account is created as one of the three separate accounts in the unemployment compensation fund. See AS 23.20.135(a). Section 4, ch. 95 SLA 1989, provides that the tax on wages for the STEP program is collected "in the manner provided in AS 23.20" (the Alaska Employment Security Act) and then remitted to the Department of Revenue in accordance with AS 37.10.050, which addresses the collection, accounting and deposit of state money. This is contrary to how money in the unemployment trust fund is handled under AS 23.20.135 and, in my opinion, establishes that the money should not be considered part of the unemployment trust fund account. I also spoke with Judy Knight, director of the Division of Employment Security about whether STEP funds were part of the unemployment compensation fund or of the unemployment trust fund account. She indicated that while the STEP funds do pass through the clearing account, they then are deposited in the general fund, not in the trust fund account. In my opinion, this is consistent with the requirements of the legislation.

^{2/} Before amendment in 1992, the money was specifically designated as an account in the general fund.

^{3/} Art. 9, sec. 7 reads:

The proceeds of any state tax or license shall not be dedicated to any special purpose, except as provided in section 15 of this article [establishing the Alaska Permanent Fund] or when required by the federal government for state participation in federal programs. This provision shall not prohibit the continuance of any dedication for special purposes existing upon the date of ratification of this section by the people of Alaska.

Representative Gene Therriault
March 1, 1993
Page 3

If I can be of further assistance, please let me know.

TBC:gc
93-178.glc

DEPARTMENT OF LABOR

OFFICE OF THE COMMISSIONER

P.O. BOX 21149
JUNEAU, ALASKA 99802-1149
PHONE: (907) 465-2700

FAX: (907) 465-2784

March 1, 1993

The Honorable Drue Pearce
Co-Chair, Finance Committee
Alaska State Senate
State Capitol, Room 508
Juneau, AK 99801-1182

Dear Senator Pearce:

Senate Bill No. 57 which proposes to extend the State Training and Employment Program (STEP) was referred to the Senate Finance Committee on February 2, 1993. A sectional analysis, fiscal notes and position papers from the Department of Labor and the Department of Community & Regional Affairs, a copy of the enabling legislation, a brief overview and selected program statistics have been sent to your office. Following is additional information concerning STEP.

The STEP program is funded by employee contributions that would otherwise go to Alaska's Unemployment Insurance Trust Fund. Each year taxable employers and employees are assigned rates based on the amount of benefits paid, total wages paid and the balance of the Unemployment Insurance Trust Fund. By statute, employees contribute 18 percent of the benefit costs and the rate of contributions for employees may not be less than one-half percent or more than one percent. (AS 23.20.290)

Chapter 95, SLA 1989 established the STEP program. Sections 3 and 4 set forth the financing provisions and one-tenth of one percent of the employees' contribution is set aside for deposit in the employment assistance and training program account in the General Fund. Prior to enactment of the STEP legislation, these funds were deposited in the Unemployment Insurance Trust Fund.

As the Unemployment Insurance Trust Fund is a self-sustaining fund, any monies spent whether for STEP or to pay unemployment insurance benefits will be replaced by employee and employer contributions. Thus, the Department feels very strongly that STEP funds should be closely tied to training that directly will impact the amount of benefits being paid out. If training allows an unemployed worker to return to work sooner, benefits are reduced and the diversion of UI Trust Fund

Honorable Drue Pearce
Alaska State Legislature

-2-

March 1, 1993

revenues for STEP training will be offset and not result in increased costs to employers and employees who contribute to the system.

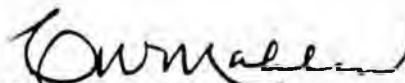
When STEP funds are used for training workers who are not a part of the unemployment insurance system for example, youth or the chronically unemployed, contributing employers and employees are being asked to support programs for which there is no return on investment within the unemployment insurance system. Consequently, the program's enacting legislation reflects a recognition of the program's ties to the UI Trust Fund.

However, the two groups, youth and the chronically unemployed, are specifically targeted in JTPA programs and the state receives funds in two different federal allocations. Native American grantees receive funds directly from the U.S. Department of Labor under Title IV-A based on the number of Native Americans unemployed and the number of poverty level Native Americans in the grantee's area. In Title II-B, funds are allocated among Native American grantees based on the number of eligible participants.

For FY 1993 Alaskan Native grantees received \$2,349,114 for Title IV-A and \$1,183,733 in II-B funds for a total of \$3,532,847. Additionally the state through the Department of Community & Regional Affairs received Title II-B funds to serve all youth populations; funds were also received under Title II-A for disadvantaged and/or chronically unemployed adults.

The Department of Labor strongly supports the extension of the State Training and Employment Program. I am requesting that the bill be scheduled for a hearing before the Senate Finance Committee. Please do not hesitate to contact me or my Special Assistant, Arbe Williams should you need additional information concerning STEP.

Sincerely,



Charles W. Mahlen
Commissioner

Rec'd 4/5/93
1:00 PM



Alaska Trollers Association

130 Seward St., No. 505
Juneau, Alaska 99801
(907) 586-9400
(907) 586-4473 Fax

Senate Finance Committee
State Capitol (MS 3100)
Juneau, AK 99811

Dear Committee Member:

The Alaska Trollers Association (ATA) would like to inform you of its opposition to CSSB 153, an act relating to the exchange of raw seafood. ATA does not support CSSB 153 as written for the following reasons:

CSSB 153, as written, does not provide the adequate enforcement measures which will be necessary to inhibit the sale of sport caught fish.

- SB 153 may provide loopholes for the sale of sport caught fish, which is illegal in Alaska. Enforcement would need to be increased. We point out that CSSB 153 includes no fiscal request for increased enforcement measures that we believe are warranted by such a bill.

CSSB 153, as written, will encourage high volume export of sport caught fish by non-resident anglers, due to the relative ease of transporting processed versus raw seafood.

- CSSB 153 will encourage non-residents to catch more fish because it will be easier to transport processed fish. This may exacerbate allocation disputes between sport and commercial fishermen, as well as resident and non-resident anglers.
- Each year a large number of tourists visiting Haines are canning large quantities of Chilkat River fish many times over their bag and possession limit, because processed fish is not now considered part of a bag or possession limit.
- Several cruise ship lines have already implemented rules which prohibit their customers from bringing raw seafood aboard, due to their inability to handle the increasing quantities of sport caught fish being exported from Alaska by their clients.

CSSB 153
April 1, 1993
Page 2

Alaska is the only state or province on the west coast that does not impose stringent export provisions on non-resident sport anglers, or include processed fish as part of an individuals daily bag or possession limit!

CSSB 153 is bad news for the State in terms of lost revenues.

- The state stands to lose income as tourists process sport caught fish instead of purchasing commercially caught fish, for which raw fish tax is paid.

Over \$30 million was generated in raw fish tax in 1992. 50 percent of the revenue generated from raw fish tax goes to the general fund and 50 percent goes to the cities and boroughs where the assessment is made. For instance, the community of Sitka and the general fund EACH received \$440,000 in raw fish revenue in 1992; Anchorage and the general fund split nearly \$180,000 worth of raw fish revenue!

Reasonable export limitation on sport caught fish, and a re-write of the state's possession limit definition to include processed fish, is necessary before ATA can support CSSB 153.

- The Senate Resources Committee has attached a letter of intent to CSSB 153 requesting that the Board of Fisheries consider regulations regarding export limitations and a more appropriate possession limit definition. In our estimation, the letter of intent does not go far enough to address our concerns.
- ATA believes that the Board of Fisheries forum is the appropriate place to evaluate fisheries regulations, and seeks the Senate Finance Committee's support to amend CSSB 153 to provide an effective date after the Board of Fisheries promulgates export limitations on sport caught fish. However, if committee members are intent on developing compromise language which would establish the exchange of raw seafood this session, ATA suggests the following:

The export of raw and processed sport caught seafood transported to an individuals permanent place of residence shall be limited to one possession limit for each species harvested.

Consider how much fish could still be taken home by visitors if Alaska established an export limit of ONE possession limit for each sport caught species in Southeast:

CSSB 153
 April 2, 1993
 Page 3

<u>Possession Limit</u>	<u>Species</u>	<u>Avg. Weight</u>	<u>Pounds Exported</u>
4	Chinook	20.0	80
12	Coho	8.0	96
12	Pink	3.5	42
12	Sockeye	8.0	96
4	Halibut	31.0	124
10 pounds	Shrimp	--	10
10	Rainbow	0.5	5
2	Steelhead	8.0	16
2	Cutthroat	0.5	1
2-10	Dolly Varden	1.5	15
10	Other fish	--	--
10	Grayling	1.0	10
Up to 10	Rockfish	4.0	40
5	Abalone	--	--
5	Dungeness/Tanner	1.5	7
10	Razor Clams	--	--

Total 542 lbs

(Note: Salmon weights are rough estimates based on commercial harvest. Halibut weight per 1992 ADF&G sport creel census data. The remainder are rough estimates provided by ADF&G sports division.)

ATA is hopeful that the committee will consider our request for compromise language, as we are interested in finding ways to accommodate the concerns of all of the users of Alaska's fisheries resources.

We appreciate the opportunity to comment of CSSB 153. If ATA can be of assistance with CSSB 153 or other related issues, I hope you will not hesitate to contact our office.

Sincerely,

Dale A. Kelley

Dale A. Kelley
 Executive Director



475 KATLIAN STREET
(FISHERMAN'S QUAY DOCK)
SITKA, ALASKA 99835
907-747-6565
FAX 907-747-3026

March 31, 1993

Honorable Drue Pearce
ALASKA STATE SENATE
State Capitol, Room 508
Juneau, Alaska 99801-1182

(4653872) FAX

And

Honorable Steve Frank
ALASKA STATE SENATE
State Capitol, Room 518
Juneau, Alaska 99801-1182

(907-4654714) FAX

RE: SB 57 - Reauthorization of the State Training
and Employment Program (STEP)

Dear Senators Pearce and Frank:

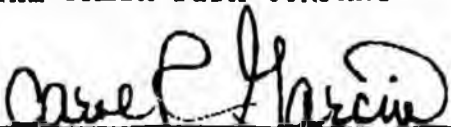
We are writing this letter in support of SB 57, the STEP Program Reauthorization bill. We are a small, privately-owned business in rural Alaska which processes and sells sea cucumbers, sea urchins, and fillets and vacuum-packed, sports-caught fish. We are also the recipients of a STEP grant for training local people in the art of processing and packing these seafood items for market.

We were able to hire all those individuals trained under our grant providing employment for them and a pool of trained workers for ourselves. We are very excited about having broken into Japanese markets for our sea cucumbers and urchins, however, handling and processing of these seafoods to Japanese market standards requires great care and attention to detail. Our STEP grant provided us the opportunity to accomplish this through training of our current employees. We believe this is an important program to small, privately-owned businesses, and particularly for those of us in the area of resource development.

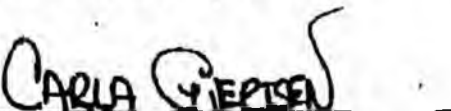
Please support passage of SB 57 and reauthorize the STEP Program for an additional three years. We think its good for Alaska and good for business.

Sincerely,

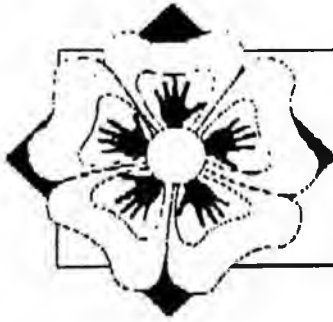
THE FRESH FISH COMPANY



Carol Garcia, Owner



Carla Gjertson, Owner



F • N • A

Fairbanks Native Association

February 15, 1993

Mr. John Walsh
Deputy Director
State of Alaska
Dept. of Community & Regional Affairs
P.O. Box 112100
Juneau, Alaska 99811-2100

Re: Close out of Stop Grant, reissue of new DCRA Grant

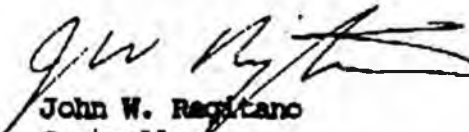
Dear John:

Enclosed as a follow up to earlier conversations and correspondence are the following items that relate to the Department of Community and Regional affairs grant to be issued to Fairbanks Native Association effective February 15, 1993.

- 1) Program goal and scope of work
- 2) Program budget detail
- 3) Program budget narrative

If you have any questions at all regarding the enclosed items, please give me a call at 452-1648, ext. 213.

Sincerely,



John W. Regitano
Controller

JWR/mm
Enclosure

cc: Samuel B. Demientieff
Nellie Hunsley
77-93-20 File
Correspondence - Out

Fairbanks Native Association
FY'93 Model Employment Program

Goal

To place and/or train as many welfare recipients, potential welfare recipients, low income individuals and unemployed individuals in productive long-term positions as possible within the grant award period.

Scope of Work

The purpose of this Legislative grant in the amount of \$184,424 is to provide funding to support the operations of Fairbanks Native Associations Model Employment Program to be operated through the Associations Employment Department. The general objective of the Model Employment Program is to reduce State of Alaska welfare costs by placing the hard to employ into long-term employment. The services that will be available and may be provided to achieve the program objectives could include the following:

- 1) Vocational Interest Assessments
- 2) Literacy Assessment
- 3) Vocation Specific Training
- 4) Job Development
- 5) Job Interviewing and Retention Skills Training
- 6) Employment placement follow up interviews
- 7) Job Listing and Referral
- 8) Payments of employment stipends
- 9) Providing Financial Assistance on behalf of participants employment related expenditures

Fairbanks Native Association
 FY93 MODEL EMPLOYMENT PROGRAM BUDGET DETAIL
 For the period 2/15/93 - 6/30/93

1) <u>Personnel</u>	Subtotal	Total
a. Full-Time Employees		
Employment Coordinator \$20.45/hr. \$42,536/yr. 85% Direct \$3,012/mth. x 4.5 months	\$13,554	
Receptionist Secretary \$8.50/hr. \$17,680/yr. \$1,473/mth. x 4.5 months	6,629	
Administrative/Project Asst. \$11.39/hr. \$23,691/yr. \$1,974/mth. x 4.5 months	8,883	
Basic Skills Trainer \$11.96/hr. \$24,877/yr. \$2,072/mth. x 4.5 months	9,324	
Employment Specialist \$12.55/hr. \$26,104/yr. \$2,176/mth. x 4.5 months	9,792	
Recruiter counselor \$12.55/hr. \$26,104/yr. 65% Direct \$1,414/mth. x 4.5 months	6,362	
Job Developer \$12.55/hr. \$26,104/yr. \$2,176/mth. x 4.5 months	9,792	
Total Full Time Personnel	\$64,336	

<u>b. Part-Time Employees</u>	<u>Subtotal</u>	<u>Total</u>
Data Entry Operator \$8.50/hr. at 30 hrs./wk. \$1,105/mth. x 4.5 months	\$ 4,972	
Employment Specialist \$11.96/hr. at 34 hrs./wk. \$1,761/mth. x 4.5 months	\$ 7,925	
Total Part Time Personnel		<u>\$12,897</u>
Total Personnel		\$77,233

2) Fringe Benefits

Full time employees 28% x \$64,336	\$18,014	
Part time employees 12% x \$12,897	<u>1,548</u>	
Total Fringe Benefits		\$19,562

3) Facility

a) Rent	\$3,260/mth. x 4.5 mth.	\$14,670	
b) Telephone	\$ 300/mth. x 4.5 mth.	1,350	
c) Janitorial	\$ 275/mth. x 4.5 mth.	<u>1,238</u>	
Total Facility			\$17,258

4) Supplies

a) Copying	\$300 x 4.5 mth.	\$ 1,350	
b) General Supplies	\$350 x 4.5 mth.	1,575	
c) Food Supplies	\$100 x 4.5 mth.	450	
d) Printing	\$ 50 x 4.5 mth.	225	
e) Dues & Sub.	\$ 20 x 4.5 mth.	90	
f) Equipment R&M	\$200 x 4.5 mth.	900	
g) Program Supplies	\$ 40 x 4.5 mth.	180	
h) Postage	\$ 40 x 4.5 mth.	<u>180</u>	
Total Supplies			\$ 4,950

5. <u>Equipment</u>	Subtotal	Total
a) Computer for JRC/Resume/ARCS Test	\$ 2,075	
b) Printer	<u>1,127</u>	
Total Equipment		\$ 3,202
6. <u>Contractual</u>		
Consultants, Technical Assistance \$500/mo. x 4.5. mth.	\$ 2,250	
Total Contractual		\$ 2,250
7. <u>Travel & Training</u>		
A) Out of State		
a) Airfare	\$ 2,416	
b) Per Diem \$100 x 13 days	1,300	
B) In State Travel		
a) Airfare	800	
b) Per Diem \$100 x 2 days	200	
C) Conference Tuition/ Registration	<u>1,200</u>	
Total Travel & Training		\$ 5,916
8. <u>Participant Support</u>		
Clothing/Uniforms, Special Tools, License, Transportation, Child Care \$662/mth. x 4.5 mths.	<u>2,980</u>	
Total Participant Support		\$ 2,980

9. <u>Tuition & Stipends</u>	Subtotal	Total
a) Vocational Training Tuitions	\$ 1,579	
b) On-the-job-Training Stipends		
\$4.85/hr. x 40 hrs. wk. = \$194/wk.		
\$194/wk. x 5 wks. = \$970		
\$970/client x 20	<u>19,400</u>	
 Total Tuition & Stipends		<u>\$ 20,979</u>
 Total Direct		<u>\$154,330</u>
 10. <u>Indirect/Administration</u>		
 Total direct program expenditures of \$154,330 x Department of Interior approved indirect rate of 19.5%		<u>\$ 30,094</u>
		<u><u>\$184,424</u></u>

Fairbanks Native Association
Model Employment Program Budget Narrative

1) Personnel:

The program staff consists of five (5) full time staff working 40 hours per week directly in the program. In addition there are two full time staff members working directly in the program a portion of their time. They are the Employment Coordinator working 34 hours/week and the Recruiter Counselor working 26 hours/week.

The direct program staff also consists of two part time employees providing client services. They are the Data Entry Operator working 30 hours/week and the Employment Specialist working 34 hours/week.

All budgeted salaries have been figured in accordance with FNA's wage parity scale, which was developed to ensure that (1) all positions are paid fairly in terms of skill requirements, supervisory responsibilities, and responsibility to commit the organization; and (2) comparable positions are paid equitably.

2) Fringe Benefits:

Fringe benefits are computed at 28%. This is broken down as follows:

FICA	7.65%
ESC	2.06%
WORKMAN'S COMP.	1.87%
GROUP INSURANCE	11.42%
RETIREMENT PLAN	4.80%

3) Facility:

Rent is budgeted at actual monthly costs for office space and includes space rent, heat, electricity, water, and sewer charges. The \$1.52 per sq. ft. rate, through a detailed market search has been determined to be equal to or lower than the prevailing cost in the community for comparable quality space.

Telephone is budgeted at the estimated average monthly usage cost for the program.

Janitorial is budgeted at the actual monthly cost associated with contracting with a private cleaning service to provide basic nightly cleaning for the program office and training space.

4) Supplies:

The request under the supplies budget category is based on monthly average estimated expenditures for routine purchases of office, program, copying, printing, postage and equipment repair and maintenance supplies and/or services. In addition, estimated monthly costs were used to budget food supplies needed for client workshops when applicable and for the annual Job Fair sponsored by FNA. Also budgeted under the supplies category are monthly estimated expenditures for professional dues and subscription to provide for the purchase of literature specific to program objectives and memberships in other associations or on mailing lists that are applicable in helping to achieve program goals.

5) Equipment:

The \$3,202 budgeted in this category is for the purchase of a computer and a compatible printer that would be available for both staff and client general and specific training needs.

6) Contractual:

Funds are budgeted in this category so that technical assistance can be obtained from private consultants as needed for the various program demands. One of the current anticipated contract needs is to have an independent program evaluation done to measure success or failure of stated goals and objectives and to permit positive program adjustment. Monies have also been budgeted for contractual assistance to develop standardized forms and staff training in methods that would promote more effective client service delivery.

7) Travel & Training:

All travel budgeted is for the purpose of directly enhancing the staff's ability to deliver quality client assistance or training services or to train all appropriate staff on how to approach and assist potential employers on creation of training positions. The anticipated out of state travel has been budgeted to include a job development conference in Pennsylvania and a lesson design workshop in Irvine, California. In state travel has been budgeted for training workshops and/or conferences in Anchorage, Alaska. All per diem will be paid using current applicable State of Alaska per diem rates in effect for the applicable location.

Tuition has been budgeted based on estimated training registration fees.

8) Participant Support:

supportive costs are to help clients get started in a new job or training position, or to enable them to begin their training. They cover child care costs, transportation costs for trainees, special license fees, tools, uniforms, and any other supportive services they may need during the course of training or during their transition from training to employment

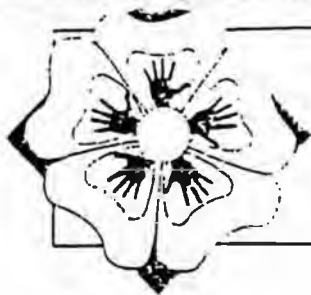
9) Tuition & Stipends:

Tuition costs are to provide monies so that program participants will be able to obtain vocational training. The program will pay fees for a number of training programs in order that clients can successfully participate in employment opportunities.

On the job training (OJT) stipends are budgeted to assist program participants to complete their job training in newly created positions, and to enable new employees to devote as much energy as possible to their training. The stipends are also intended to encourage employers to create job training positions and provide employers an opportunity to preview potential new employees. Stipends are calculated at the state minimum wage, of \$4.85 per hour. This is the minimum wage for Alaska per state statute. Due to the high costs of living, Alaska law sets a minimum wage of .50 above federal rate.

10) Indirect Costs/Administration:

As per federal regulation, Fairbanks Native Association, Inc. is required to have a federally negotiated Indirect Cost Rate. For FY 93 the rate approved by the Department of Interior is 19.5%. Indirect cost expenditures provide monies for fiscal management, contract compliance, proposal development, accounting, insurance, auditing and executive support and supervision for the program.



F • N • A

Fairbanks Native Association

February 9, 1993

Mr. John Walsh
Deputy Director
State of Alaska
Dept. of Community & Regional Affairs
P.O. Box 112100
Juneau, Alaska 99811-2100

RECEIVED
FEB 10 1993

Dept. of Community & Regional Affairs
Juneau, Alaska 99811-2100

RE: Close out of Step Grant, Reissue of DCRA Grant:

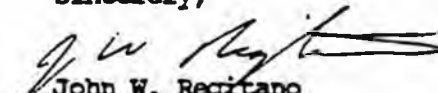
Dear John:

This letter is a follow up to our telephone conversation of 2/5/93. Be advised FNA has determined that through 2/14/93 total expenditures to the Step Grant (ref #'s 93-21721-219 & 93-21721-220) will be \$174,476 and the total monies available for reissue as a new DCRA Grant effective 2/15/93 will be \$184,424. FNA used 2/14/93 as an end date versus 2/15/93 per our discussion because that date is the end of an FNA pay period so if 2/14/93 is used as the grant termination date it will be easier to calculate anticipated expenditures prior to the actual grant end and actual expenditure numbers will be available much quicker to verify FNA's estimate. So if it is agreeable with your office FNA would suggest the current STEP Grant end on 2/14/93.

Also be advised that the Scope of Work, Budget Detail and Budget Narrative are currently being completed and will be available for issue to your office on 2/12/93. Once again FNA's Budget Detail for the new grant will reflect an amount of \$184,424.

If you have any questions at all please give me a call at 452-1648, ext. 213.

Sincerely,


John W. Regitano
Controller

cc: Sam Demientieff, Executive Director
Nellie Hamsley, Program Director
Janis Bork, DCRA Grant Manager
74-93-20 File
Correspondence-Out

201 First Avenue • Fairbanks, Alaska 99701 • (907) 452-1648 fax 456-4148

FAIRBANKS NATIVE ASSOCIATION
 FNA STEP (File 39.1)
 EN #2132080 (7/1/92 - 6/30/93)

(STEP# WK113(FY93))

			YTD % EXPENDED	TOTAL	ADMIN	PARTICIPANT SVCS
			26.12%	26.12%	22.68%	26.73%
			THIS BILL % EXPENDED	100.00%	13.02%	06.90%
			TOTAL AWARDED	\$358,900.00	\$53,835.00	\$305,065.00
			Original Award (9/14/92)	\$358,900.00	\$53,835.00	\$305,065.00
			Amendment #1 (/ /)	\$0.00		
			Amendment #2 (/ /)	\$0.00		
			Amendment #3 (/ /)	\$0.00		
			TOTAL	\$93,742.00	\$12,200.00	\$81,534.00
			EXPENDED BALANCE	\$265,158.00	\$41,635.00	\$223,523.00
			TOTAL	\$18,769.00	\$2,448.00	\$16,321.00
INVOICE # (Date rec'd)	Juncos Dist. Date	Period Ending	EXPENDED BALANCE	TOTAL	ADMIN	PARTICIPANT SVCS
Partial Deduct for ADVANCE PAYMENT 1ST (11/9/92)	N/A	N/A		\$18,769.00	\$2,448.00	\$16,321.00
Partial Deduct for ADVANCE PAYMENT 2ND (11/25/92)	N/A	N/A		\$10,847.50	\$1,415.00	\$9,432.50
Partial Deduct for ADVANCE PAYMENT 3RD (12/21/92)	N/A	N/A		\$383.50	\$57.52	\$325.98
4TH ()				\$0.00		
5TH ()				\$0.00		
6TH ()				\$0.00		
7TH ()				\$0.00		
8TH ()				\$0.00		
9TH ()				\$0.00		
10TH ()				\$0.00		
11TH ()				\$0.00		
12TH ()				\$0.00		
13TH ()				\$0.00		

		COLLOCATION CODES:		93-21721-219	93-21721-220
		TOTAL	ADVANCE PAYMENT	ADMIN	PARTICIPANT SVCS
TOTAL AWARDED	\$358,900.00	\$30,000.00	\$53,835.00	\$0.00	\$305,065.00
Original Award	\$358,900.00	\$30,000.00	\$53,835.00		\$305,065.00
Amendment #1	\$0.00				
Amendment #2	\$0.00				
Amendment #3	\$0.00				
EXPENDED	\$93,742.00	\$30,000.00	\$8,287.48	\$0.00	\$55,454.52
BALANCE	\$265,158.00	\$0.00	\$45,547.52	\$0.00	\$249,610.48
Partial Deduct for ADVANCE PAYMENT 1ST INVOICE	\$18,769.00	\$18,769.00	\$2,448.00		\$16,321.00
Partial Deduct for ADVANCE PAYMENT 2ND INVOICE	\$10,847.50	\$10,847.50	\$1,415.00		\$9,432.50
Partial Deduct for ADVANCE PAYMENT 3RD INVOICE	\$383.50	\$383.50	\$57.52		\$325.98
4TH INVOICE	\$0.00				
5TH INVOICE	\$0.00				
6TH INVOICE	\$0.00				
7TH INVOICE	\$0.00				
8TH INVOICE	\$0.00				
9TH INVOICE	\$0.00				
10TH INVOICE	\$0.00				
11TH INVOICE	\$0.00				
12TH INVOICE	\$0.00				
13TH INVOICE	\$0.00				

1/3

Participation and Termination Summary

	Total Adults	Welf Adults	Youth	
A. TOTAL PARTICIPANTS	88	0	7	+ 7 = 95 total participants
B. TOTAL TERMINATIONS	9	0	1	
1. Entered Unsub Employment	4	0	0	
a. Also Attain AD/YTH Empl Enh	0	0	0	
2. AD/YTH Employ Enhanc Terms	0	0	0	
a. AD Empl Sk/PIC-Rec Empl Con	0	0	0	
b. Return To Full-time School	0	0	0	
c. Remained in School	0	0	0	
d. Completed Major Level Educ	0	0	0	
e. Entered Non-Title-II Train	0	0	0	
3. All Other Terminations	5	0	1	

Terinee Performance Measures Information

Male	3	0	1
Female	6	0	0
15 and Under	0	0	0
15-17	0	0	0
18-21	0	0	1
22-29	3	0	0
30-54	6	0	0
55 and Over	0	0	0
School Dropout	0	0	1
Student High School or Less	1	0	0
High School Graduate or Equivalent	4	0	0
Post High School Attendee	4	0	0
Single House Head with Child < 18	0	0	0
White (not Hispanic)	3	0	0
Black (not Hispanic)	0	0	0
Hispanic	0	0	0
American Indian or Alaskan Native	6	0	1
Asian or Pacific Islander	0	0	0
Limited English Lang Proficiency	0	0	0
Handicapped	0	0	0
Offender	0	0	0
Reading Skills Below 7th Grade	0	0	0
Long-term AFDC Recipient	0	0	0
Lacks Significant Work History	0	0	0
Homeless	0	0	0
JOBS Program Participant	0	0	0
Multiple Barriers to Employment	0	0	0
Unemployment Compensation Claimant	0	0	0
Unemployed: 15 or More of 26 Weeks	0	0	0
Not in Labor Force	0	0	0
Welfare Grant Type: APDC	0	0	0
GA/RCA	0	0	0
Veteran (Total)	0	0	0
Vietnam Era	0	0	0
Average Weeks Participated	5.87	0.00	7.71
Average Hourly Wage at Termination	8.01	0.00	6.00
Total Program Costs (Fed Funds)			
Total Available Federal Funds			

Fairbanks Native Association
STEP Program Statistics
07/01/92 - 01/20/93

95 Total Participants

Sex

- 37 Female
- 58 Male

Ethnic Group

- 24 White
- 69 Native
- 2 Asian/Pacific

Eligibility

- 28 01
 - 28 02
 - 1 03
 - 22 06
 - 8 07
 - 8 08
- } unresponds w/
codes on 3/3

Termination Costs

- 4 - Entered Job Which had Been Used
- 1 - Moved from the area
- 2 - Refused to continued
- 1 - Poor Attendance
- 1 - Found Ineligible After Enrollment
- 1 - Other Non-Positive

Activities

- 3 OJT
- 1 Classroom or Institutional
- 1 Support Services
- 95 Employment Assistance

PREPARATION DATE: _____

AJTC INFORMATION DATA for STEP

PARTICIPANT DEMOGRAPHICS		TOTAL	
GENDER	codes		
Male	1		
Female	2		

ETHNICITY	codes		
White	1		
Black	2		
AK Native/Amer. Indian	3		
Hispanic	4		
Asian or Pacific Islander	8		

AGE	codes		
0 - 15	1		
16 - 21	2		
22 - 29	3		
30 - 54	4		
55 +	5		

ELIGIBILITY CRITERIA		TOTAL	
	TOTAL	codes	
1. Are Employed and:			
(a) Are Receiving Unemployment Insurance Benefits;	1		
(b) Have Exhausted the right to Unemployment Insurance Benefits Within the Past Three Years;	2		
2. Are Employed, but liable to be Displaced Within the Next Six Months Because of:			
(a) Reduction in Overall Employment Within A Business;	3		
(b) Elimination Of The Worker's Current Job; Or	4		
(c) A Change in Conditions of Employment Requiring That, To Remain Employed, The Employee Must Learn Substantially Different Skills Which The Employee Does Not Now Possess; or	5		
3. Have Worked in A Position Covered by AS 23.20 At Anytime During The Last Three Years, and are Not Currently Eligible For Unemployment Insurance Benefits Because:			
(a) Their Employment Has Been Seasonal, Temporary, Part-time Or Marginal;	6		
(b) Their Qualifying Wages Are Insufficient Because Of Limited Job Opportunity or;	7		
(c) They Are Employed But, Because They Are Underemployed, They Are In Need Of Employment Assistance And Training To Obtain Full Employment.	8		

CONCURRENTLY ENROLLED IN		TOTAL	
	codes		
II-A			
3%			
6%			
8%			
II-B			
EDWAA			

TYPE OF ACTIVITY		TOTAL	
	codes		
Industry-specific Training			
On-the-job Training			
Institutional or Classroom Job-linked Training			
Supportive Services, Including Allowances			
Relocation Assistance			
Provisions of Necessary Tools; Work-related Clothing, Safety			
Holding			
Employment Assistance			

TARGET GROUPS		codes	
Unemployment Insurance Claimant			
Women and/or Minorities			
Unemployed Parent Program Under AFDC			
Responsible for Court Ordered Child Support			
Person Lacks Skills or Skills Have Been Outdated			

OUTCOMES		codes	
POSITIVE			
Entered New Job (Job never been filled before)	S01		
Entered Job Which had Been Vacated	S02		
Received Training to Protect Against Fluctuations in the Economy and Prepare for Technological Changes in the Workplace.	S03		

NON-POSITIVE		codes	
Health Problems	S08		
Family Care Problems	S08		
Transportation Problems	S07		
Moved From the Area	S08		
Refused to Continue	S09		
Poor Attendance	S10		
Administrative Separation	S11		
Cannot Locate	S12		
Found Ineligible After Enrollment	S13		
Other Non-positive	S14		

WALTER J. HICKEL, GOVERNOR

DEPARTMENT OF LABOR

OFFICE OF THE COMMISSIONER

P.O. BOX 21149
JUNEAU, ALASKA 99802-1149
PHONE: (907) 465-2700

FAX: (907) 465-2784

February 4, 1993

The Honorable Drue Pearce
Co-Chair, Finance Committee
Alaska State Senate
State Capitol, Room 508
Juneau, AK 99801-1182

Dear Senator Pearce:

Senate Bill No. 57, extending the State Training and Employment Program to 1996, was introduced and referred to the Senate Labor & Commerce and Finance Committees on January 22, 1993. The bill was considered by the Senate Labor & Commerce Committee on February 2, 1993. I am requesting that the bill be scheduled for a hearing before the Senate Finance Committee.

The State Training and Employment Program (STEP) was established in 1989 as a two year pilot project and was extended for two years in 1991. The project is scheduled to end June 30, 1993. Senate Bill No. 57 proposes to extend STEP for three years with an expiration date of June 30, 1996.

STEP was established to help prevent future claims against unemployment benefits; to foster new jobs by encouraging businesses to locate in the state due to availability of a skilled labor force and by minimizing employers' unemployment costs; and to increase training opportunities to those workers severely affected by the fluctuations in the state economy or technological changes in the workplace in the state.

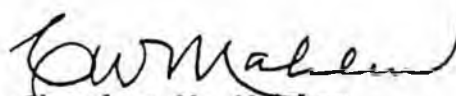
The Honorable Drue Pearce
Page 2

February 4, 1993

A sectional analysis, fiscal notes and position papers from the Department of Labor and the Department of Community & Regional Affairs, a copy of the enabling legislation, a brief overview and selected program statistics are enclosed for your information. If you would like additional information concerning this legislation, please do not hesitate to contact my Special Assistant, Arbe Williams.

Thank you for your consideration of my request to schedule Senate Bill No. 57 for a hearing before the Senate Finance Committee.

Sincerely,


Charles W. Mahlen
Commissioner

Enclosures

BILL NO: SENATE BILL NO. 57

DATE: February 4, 1993

TITLE: Extending STEP until 1996

CONTACT: Arbe Williams
465-2700

The State Training and Employment Program (STEP) was enacted in 1989 as a two year pilot project and was extended for two years in 1991. The project is scheduled to end June 30, 1993. Senate Bill No. 57 proposes to extend STEP for three years with an expiration date of June 30, 1996.

Preliminary results are that this pilot project, administered jointly by the Departments of Labor and Community & Regional Affairs, in cooperation with the Alaska Job Training Council, provides much needed job training to unemployed workers. This project also assists Alaskans who need to upgrade their job skills in order to maintain their employability. STEP has broad based support from both industry and labor.

Preliminary results are encouraging. However, project evaluation is in the initial stages. A three year extension of the project would allow the department to continue to evaluate the effectiveness of the project; to continue to collect and analyze statistical and program information to ensure that the removal of STEP funds from the UI Trust Fund does not adversely affect employer tax rates; and to ensure that the project serves the people as listed in the enabling legislation and adheres to the statutory language that STEP "...would

(A) help prevent future claims against unemployment benefits;

(B) foster new jobs by encouraging businesses to locate in the state due to availability of a skilled labor force and by minimizing employers' unemployment costs; and

(C) increase training opportunities to those workers severely affected by the fluctuations in the state economy or technological changes in the workplace in the state."

The Department strongly supports the extension of the State Training and Employment Program.



Charles W. Mahlen
Commissioner

Date: 2/4/93

POSITION PAPER/Department of Labor

STATE OF ALASKA
DEPARTMENT OF COMMUNITY
& REGIONAL AFFAIRS

POSITION PAPER

Bill No.: SB 57 by Request of the Governor

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

SB 57 provides for a three (3) year extension of the State Training and Employment Program (STEP) originally enacted under Chapter 95 SLA 1989. This program is designed to determine the benefits of a state funded training program directed toward unemployed or marginally underemployed persons in Alaska.

At least four (4) other states use the unemployment insurance trust for training purposes such as this. At least half of all states provide similar training through general fund appropriations. The anticipated effects of the program are a reduction in future claims against unemployment insurance; promotion of the new job growth in higher skill occupations; and improvement in local hire through workforce competitiveness improvements.

The bills fiscal note seeks an appropriation of \$3,386 million from the unemployment insurance trust fund, the same source as in the initial years of this program. This funding amount is projected to provide training for approximately 2,300 participants in job training and employment assistance.

DCRA FISCAL NOTE: \$3,386.0 (attached)

DCRA POSITION: Strong Support.

Edg. Blatchford

Edgar Blatchford
Commissioner

1-26-93

Date

57551

DEPARTMENT OF LABOR

SECTIONAL ANALYSIS

SENATE BILL NO. 57

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

Section 1.

Extends for three years, through June 30, 1996, the dates for the collection of revenues for the State Training and Employment Program and the dates that wages for employment are subject to STEP contributions.

Section 2.

Modifies the repealer in Chapter 95, SLA 1989, as amended by Chapter 17, SLA 1991, to July 1, 1996 to reflect the three year extension of the State Training and Employment Program.

Section 3.

Provides for an effective date of June 30, 1993.

ALASKA'S STATE TRAINING AND EMPLOYMENT PROGRAM (STEP) A BRIEF OVERVIEW

Purpose: The Alaska State Training and Employment Program was established to:

- Help prevent future claims against unemployment benefits,
- Foster new jobs by encouraging businesses to locate in the state due to the availability of a skilled labor force and by minimizing employers' unemployment costs, and
- Increase training opportunities to those workers severely affected by the fluctuations in the state economy or technological changes in the workplace.

History:

- STEP was established in 1989 as a two-year pilot project under Chapter 95, SLA 1989.
- The program was extended in 1991 as a two-year pilot under Chapter 17, SLA 1991.
- As of November 22, 1992 more than 2,400 participants have completed STEP training.
- STEP will be repealed as of July 1, 1993, unless it is reauthorized as a pilot program.

Program Operation:

- **FUNDING:** The program is funded through employee contributions to Unemployment Insurance (UI). One-tenth of one percent of each worker's wages subject to regular UI contributions is collected by the Alaska Department of Labor (DOL) and put into a special "Employment Assistance and Training Program Account." The money is then appropriated by the state legislature to fund STEP.
- **WHO NEEDS TRAINING:** DOL establishes eligibility priorities as identified in Chapter 95, SLA 1989 and targets projects and services based upon labor market information and input from the Alaska departments of Community and Regional Affairs, Education, and Commerce and Economic Development as well as the University of Alaska, organized labor, Alaska Native organizations, the Alaska Job Training Council (AJTC), and the private industry councils.
- **HOW THE FUNDS ARE ALLOCATED:** DOL may award a grant to the AJTC to implement the program. The AJTC, through the Job Training Partnership Office, allocates funds to the three service delivery areas (SDAs) using a formula that reflects target population characteristics. Each SDA contracts with training organizations in the communities it serves to deliver such services as classroom training, on-the-job training, and so on and/or keeps funds to provide services directly to clients.

- **HOW FUNDS ARE MATCHED WITH THOSE WHO NEED TRAINING:**

Contractors actively recruit clients for their projects; and the SDA's market their programs through mailings, a referral network with partner social service agencies, and presentations to other organizations. Participants must meet one of eight employment-related criteria specified in the legislation (such as unemployed and receiving UI benefits, unemployed and exhausted the right to UI benefits within the past three years.). SDA's also directly provide training and services to clients in their respective areas.

Alaska State Training and Employment Program
Selected Program Statistics:
July 1989 to November 1992

- Two thirds of the program participants were between the ages of 30 and 54. Twenty eight percent were female.
- Sixty nine percent of program participants were eligible for the program because they were receiving or had exhausted their unemployment insurance benefits.
- Nineteen percent of STEP program completers entered a new job that had never before been filled.
- The Employment Assistance Demonstration Project, conducted by the Alaska Department of Labor, was designed to provide intensive employment assistance workshops to unemployment insurance recipients. The program showed an overall placement rate of 29.6%.
- For successful STEP participants, the average wage for the four quarters after STEP training increased by 8% compared to the four quarter average wage before training. The average wage of all Alaska workers was virtually stagnant during this same time period.
- The average number of claims by quarter for the year following completion of the STEP program was 24% less than the number of claims submitted in the quarter immediately before STEP training.
- The average number of weeks claimed by STEP participants after program completion was 17.9 compared to 16.3 weeks for the total claimant population.
- For those currently working and for which occupational data is available, approximately 64 percent are working in occupations related to their training.

STEP Program Statistics From Start of Program Through November 22, 1992

Demographic Characteristics		STEP Program Eligibility	
Male	1,751	Are receiving unemployment insurance benefits	1,352
Female	680	Have exhausted the right to unemployment insurance benefits	321
White	1,734	Employed but liable to be displaced within next six months because:	
Black	108	Reduction in overall employment within a business	104
Hispanic	81	Elimination of a workers current job	56
AK Native/American Indian	448	Change in conditions of employment that require learning substantially different skills	291
Asian or Pacific Islander	60	Have worked in a position covered by AS 23.20 during the last 3 years, but not now eligible for unemployment insurance benefits because:	
Age 16-21	161	Employment has been seasonal, temporary, part-time or marginal	193
Age 22-29	472	Qualifying wages are insufficient because of limited job opportunity	66
Age 30-54	1,626	They are underemployed and need employment assistance and training to obtain full employment	48
Age 55+	172	Source: Job Training Partnership Office	

Program Services Provided	
Industry specific training	722
OJT	54
Institutional or classroom job-linked training	1,406
Supportive services, including allowances	505
Relocation assistance	0
Provision of necessary tools, clothing, safety equipment	24
Employment assistance	152
Note: Multiple services provided to program participants. Source: Job Training Partnership Office.	

Outcomes of STEP Participants	
Entered new job (job never filled before)	416
Entered job which had been vacated	197
Received training to protect against fluctuations in the economy and to prepare for technological changes in the workplace	1,340
Reduction of current and/or future claims against unemployment insurance (improved skill level to make participants more employable)	250
Nonpositive outcomes	181
Source: Job Training Partnership Office	

Alaska Statewide Training and Employment Program
Training Activity by Selected Eligibility Criterion*

Training Activity	Eligibility Criterion						
	SFY 90						
	Skills not in demand	Limited area employment	Physical/Mental disabilities	Older Worker	Member Welfare home	UI claims for 13+ wks.	Face long term unemployment
Industry specific							
On the job training							
Classroom training	51	79	2	7	11	36	66
Support Services	7	9		4	1	7	5
Relocation Assistance							
Tools, Clothing, etc.							
Career counseling							
Upgrading skills							

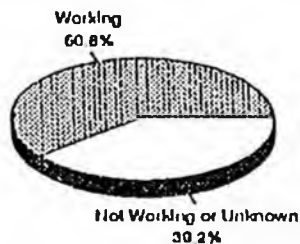
Training Activity	Eligibility Criterion						
	SFY 91						
	Skills not in demand	Limited area employment	Physical/Mental disabilities	Older Worker	Member Welfare home	UI claims for 13+ wks.	Face long term unemployment
Industry specific	25	64	1	8	7	22	57
On the job training	14	10	2	6	1	3	15
Classroom training	599	584	35	158	56	218	287
Support Services	126	113	14	42	7	56	133
Relocation Assistance							
Tools, Clothing, etc.	3	4		1			3
Career counseling	29	26	1	4	4	9	23
Upgrading skills	1						1

*Criterion may vary by program year. Data represents 1482 clients who received services in the first 2 years of program operation.

A participant may use more than one training activity

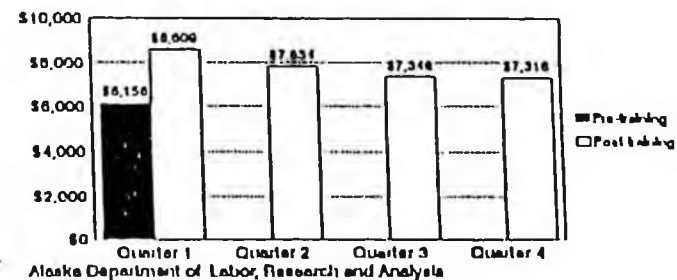
Source: Alaska Department of Labor, Research and Analysis

**Work Status In 2nd Quarter 1992 of STEP Participants
Completing Program In SFY 00-91**



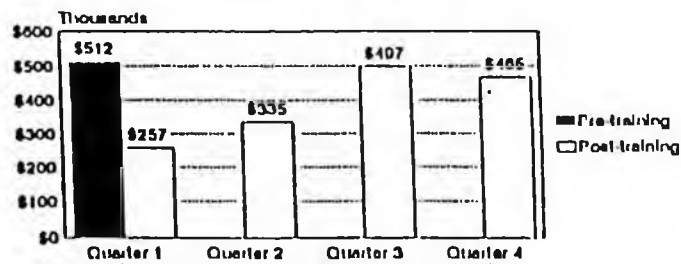
Source: Alaska Department of Labor, Research and Analysis

**Average Quarterly Earnings
For STEP Participants SFY 90-91**



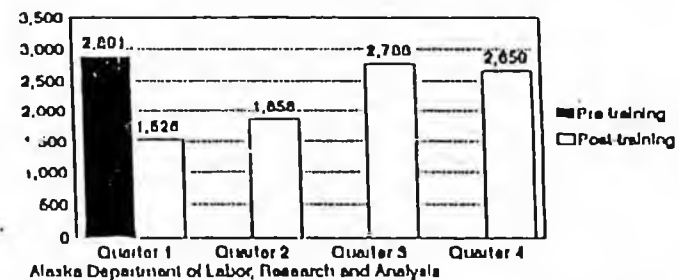
Alaska Department of Labor, Research and Analysis

**Total Regular Alaska Unemployment Insurance Payments
For STEP Participants SFY 00-91**



Source: Alaska Department of Labor, Research and Analysis

**Total Regular Alaska Unemployment Insurance Benefit Weeks
For STEP Participants SFY 00-91**



Alaska Department of Labor, Research and Analysis

FAIRBANKS NATIVE ASSOCIATION EMPLOYMENT DEPARTMENT FY 91 JOB PLACEMENTS

MALE	FEMALE
142	99

AGE GROUP SERVICES
18 AND OVER

CHARACTERISTICS	
Economically Disadvantaged	<u>180</u>
Homeless	<u>12</u>
Single Parent	<u>65</u>
High School or less education	<u>53</u>
Post high school	<u>91</u>
Offender	<u>5</u>
Previously seasonally employed	<u>2</u>
Substance Abuser	<u>19</u>

ETHNICITY	
Alaskan Native	<u>154</u>
Black	<u>20</u>
Hispanic	<u>3</u>
White	<u>64</u>

TOTAL CLIENTS SERVED
694

PLACEMENTS	
Permanent employment	<u>241</u>
Temporary employment	<u>180</u>
Placed in occupational training	<u>32</u>

STEP Program Statistics From Start of Program Through November 22, 1992

Demographic Characteristics		STEP Program Eligibility	
Male	1,751	Are receiving unemployment insurance benefits	1,352
Female	680	Have exhausted the right to unemployment insurance benefits	321
White	1,734	Employed but liable to be displaced within next six months because:	
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Age 22-29	472	Qualifying wages are insufficient because of limited job opportunity	66
Age 30-54	1,626	They are underemployed and need employment assistance and training to obtain full employment.	48
Age 55+	172	Source: JTPO	

Program Services Provided	
Industry specific training	722
OJT	54
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Nonpositive outcomes	181
Source: JTPO	

WALTER J. HICKEL
GOVERNOR



STATE OF ALASKA
OFFICE OF THE GOVERNOR
JUNEAU

January 22, 1993

The Honorable Rick Halford
President of the Senate
Alaska State Legislature
State Capitol
Juneau, AK 99801-1182

Dear President Halford:

Under the authority of art. III, sec. 18, of the Alaska Constitution, I am transmitting a bill that extends for three years the pilot project for the state training and employment program.

The pilot project was enacted in 1989 (ch. 95, SLA 1989) as a two-year program, and was extended for two additional years (to July 1, 1993) in 1991 (ch. 17, SLA 1991). This bill amends sec. 4(a), ch. 95, SLA 1989, as amended by ch. 17, SLA 1991, to extend the date for collecting money through the unemployment insurance system to support the training program, and again extends the expiration date of the project (to June 30, 1996).

The pilot project, administered by the Department of Labor and the Department of Community and Regional Affairs, provides much-needed job training to unemployed workers in order to reduce unemployment insurance benefit expenditures. This project also assists Alaskans who need to upgrade their job skills in order to maintain their employability. This training program has broad-based support from both labor and industry.

I urge your prompt consideration and passage of this bill.

Sincerely,

A handwritten signature in cursive script that reads "Walter J. Hickel".

Walter J. Hickel
Governor

JMR

SENATE COMMITTEE REPORT
FIRST COMMITTEE OF REFERRAL

DATE: 1/22/93

FURTHER: FINANCE

Date of 5-Day Notice: 1/28/93
(in accordance with Uniform Rule 23)

DATE TURNED INTO OFFICE: 2/2/93

L&C Committee considered SB 57

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

and recommends: ^{and report it back as follows}

[] replace with _____ CS _____

[] attaches amendment(s)

[] adopts _____ Letter of Intent

[] further referral to the _____

[] do pass

[] do not pass

[] no recommendation

individual recommendations

Department	Date	Zero	Fiscal
<i>Laber</i>	<i>11/13</i>		<i>3198.5</i>
<i>CRA</i>	<i>12/14</i>		<i>2072.2</i>
<i>CRA</i>	<i>12/14</i>		<i>1313.8</i>

FISCAL NOTE INFORMATION

Department	Date	Zero	Fiscal

[] Appropriation No Fiscal Note

Governor's Bill with Previous Fiscal Notes (enter information above)

*3 previous
Fol's
attached*

same title
[] new title
[] technical title change (HB only)

DO PASS:

OTHER RECOMMENDATIONS:

DO PASS
Steve Tim

Tom V. Grace - No Rec
20 J. E. Salo - No Rec

DO PASS
Tim Kelly - Do Pass
Chair: Signature and Recommendation

S B

5 8

SFIN

FILE

SENATE FINANCE COMMITTEE REPORT

DATE: 4/1/93

FURTHER:

DATE TURNED INTO OFFICE: 4-18-93

The Finance Committee has read SENATE BILL NO. 58

"An Act relating to the longevity bonus program."

and recommends:

- replace with _____ CS SB58 (FINANCE)
 or adopt previous _____ CS _____
 attaches amendment(s)

- same title
 new title
 technical title change (HB only)

- adopts _____ Letter of Intent
 further referral to the _____

- do pass
 do not pass
 no recommendation
 individual recommendations

NEW FISCAL NOTES

Department	Date	Zero	Fiscal
DOA-LB Grants	4-17-93		(500.0)
DOA-PB Admin	4-17-93		11.6

PREVIOUS FISCAL NOTES

Department	Date	Zero	Fiscal
OHSS	2-2-93		(5.3)

Appropriation No Fiscal Note

DO PASS:

Alvin Thier
George Tack

 1. Alvin Thier
 Co-Chair: Signature/Recommendation

OTHER RECOMMENDATIONS:

Tim Kelly - No Rec
Justin Do Not pass
Ben King No Rec

 2. True Source - 6/23
 Co-Chair: Signature/Recommendation

FISCAL NOTE

STATE OF ALASKA
1993 LEGISLATIVE SESSION

BILL NO. CSSB 58 (Fin)

Revision Date: _____
 Title: An act relating to the Longevity Bonus

 Sponsor: Senate Rules Committee
 Requestor: Senate Finance

Department Affected: Administration
 BRU: Pioneers' Benefits
 Component: Longevity Bonus
 Grants _____
 COMPONENT SERIAL NO. 26

Expenditures/Revenues:

OPERATING	FY 94	FY 95	FY 96	FY 97	FY 98	FY 99
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	(500.0)*	(4,200.0)*	(7,400.0)*	(11,800.0)*	(18,200.0)*	(24,300.0)*
MISCELLANEOUS	0	0	0	0	0	0
TOTAL OPERATING	(500.0)	(4,200.0)	(7,400.0)	(11,800.0)	(18,200.0)	(24,300.0)

CAPITAL	0	0	0	0	0	0
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REVENUE FUND SOURCE:	0	0	0	0	0	0
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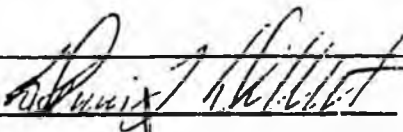
FUNDING:

1002 Federal Receipts	0	0	0	0	0	0
1003 GF Match	0	0	0	0	0	0
1004 GF	(500.0)	(4,200.0)	(7,400.0)	(11,800.0)	(18,200.0)	(24,300.0)
1005 GF/Program Receipts	0	0	0	0	0	0
1006 GF/MHTIA	0	0	0	0	0	0
OTHER	0	0	0	0	0	0
TOTAL	(500.0)	(4,200.0)	(7,400.0)	(11,800.0)	(18,200.0)	(24,300.0)

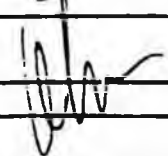
FULL-TIME	0	0	0	0	0	0
PART-TIME	0	0	0	0	0	0
TEMPORARY	0	0	0	0	0	0

Estimate of current year (FY93) impact: 0

ANALYSIS: * Cost savings reflect the difference between current program costs and new program costs. Budget requests will continue to go up through FY96 due to growth in numbers of participants. By FY97 budget requests begin to go down. See attached table for details of the calculations.

Prepared by: Dennis L. DeWitt, Director 
 Division: Pioneers' Benefits

Phone: 465-4400
 Date: _____

Approved by Commissioner: Nancy Bear Usara 
 Agency: Administration

Date: 4/17/93

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Longevity Bonus Fiscal Note

CSSB 58 (FIN)

FY	Current Program		Proposed Phase-Out		Difference	
	Number of Participants	Annual Cost	Number of Participants	Annual Cost	Number of Participants	Annual Savings to the State
1994	24,059	69.6	24,059	69.1	0	(0.5)
1995	25,864	74.8	25,864	70.6	0	(4.2)
1996	27,021	78.2	27,021	70.8	0	(7.4)
1997	28,081	81.2	26,433	69.4	(1,648)	(11.8)
1998	29,188	84.4	25,214	66.2	(3,974)	(18.2)
1999	30,266	87.5	24,118	63.2	(6,148)	(24.3)

Cost in Millions of Dollars

Explanation: 1. For purposes of consistency, we have used Legislative Research figures for the 'Number of Participants' and 'Annual Cost' for the Current Program and the Proposed Phase-Out, except the cutoff dates for applications are assumed to result in slightly higher savings. In essence, approximately 77% of new applicants to the program are 65 years old, 23% are older. The cutoff dates will reduce the number of older applicants that would be admitted to the program.

Note : There is an additional fiscal note associated with this proposal for the administration component, for \$11,625 for computer modifications.

FISCAL NOTE

BILL NO. CSSB58 (FIN)

STATE OF ALASKA
1993 LEGISLATIVE SESSION

Revision Date: _____

Department Affected: Administration

Title: An act relating to the Longevity Bonus Program.

BRU: Pioneers' Benefits

Sponsor: Rules Committee

Component: Administration

Requestor: Senate Finance

Administration

COMPONENT SERIAL NO. 27

Expenditures/Revenues:

OPERATING	FY 94	FY 95	FY 96	FY 97	FY 98	FY 99
PERSONAL SERVICES	0	0	0	0	0	0
TRAVEL	0	0	0	0	0	0
CONTRACTUAL	11.6	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	11.6	0	0	0	0	0

CAPITAL	0	0	0	0	0	0
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REVENUE FUND SOURCE:	0	0	0	0	0	0
----------------------	---	---	---	---	---	---

FUNDING:

1002 Federal Receipts	0	0	0	0	0	0
1003 GF Match	0	0	0	0	0	0
1004 GF	11.6	0	0	0	0	0
1005 GF/Program Receipts	0	0	0	0	0	0
1006 GF/MHTIA	0	0	0	0	0	0
OTHER	0	0	0	0	0	0
TOTAL	11.6	0	0	0	0	0

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 (FY93) impact: 0

ANALYSIS: The proposed Longevity Bonus program changes would require modifications to both mainframe and microcomputer software and revised interface programs at an estimated cost of \$11.6.

Prepared by: Dennis L. DeWitt, Director
 Division: Pioneers' Benefits

Phone: 465-4400
 Date: _____

Approved by Commissioner: Nancy Bear Userra
 Agency: Administration

Date: 4/17/93

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FISCAL NOTE

Bill Version: SB 58

(S) Publish Date: 2-22-93

STATE OF ALASKA
1993 LEGISLATIVE SESSION

Revision Date: _____ Dept. Affected: Health and Social Services
 Title: An Act relating to longevity BRU: Assistance Payments
bonus payments Component: OAA-ALB Hold Harmless
 Sponsor: Senate Rules Committee
 Requestor: Governor COMPONENT SERIAL NO. 03-06-01-08-00 (223)

Expenditures/Revenues: (Thousands of Dollars)

OPERATING	FY94	FY95	FY96	FY97	FY98	FY99
PERSONAL SERVICES	0.0	0.0	0.0	0.0	0.0	0.0
TRAVEL	0.0	0.0	0.0	0.0	0.0	0.0
CONTRACTUAL	0.0	0.0	0.0	0.0	0.0	0.0
SUPPLIES	0.0	0.0	0.0	0.0	0.0	0.0
EQUIPMENT	0.0	0.0	0.0	0.0	0.0	0.0
LAND & STRUCTURES	0.0	0.0	0.0	0.0	0.0	0.0
GRANTS, CLAIMS	(5.3)	(74.0)	(213.6)	(435.5)	(803.0)	(1,188.5)
MISCELLANEOUS	0.0	0.0	0.0	0.0	0.0	0.0
TOTAL OPERATING	(5.3)	(74.0)	(213.6)	(435.5)	(803.0)	(1,188.5)
CAPITAL	0.0	0.0	0.0	0.0	0.0	0.0
REVENUE FUND SOURCE	0	0	0	0	0	0

FUNDING: (Thousands of Dollars)

1002 Federal Receipts	0.0	0.0	0.0	0.0	0.0	0.0
1003 GF Match	0.0	0.0	0.0	0.0	0.0	0.0
1004 GF	(5.3)	(74.0)	(213.6)	(435.5)	(803.0)	(1,188.5)
1005 GF/Program Receipts	0.0	0.0	0.0	0.0	0.0	0.0
1006 GF/MHTIA	0.0	0.0	0.0	0.0	0.0	0.0
Other	0.0	0.0	0.0	0.0	0.0	0.0
TOTAL	(5.3)	(74.0)	(213.6)	(435.5)	(803.0)	(1,188.5)

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 (FY93) impact: NONE

ANALYSIS: (Attach a separate page if necessary)

Beginning January 1, 1994, SB 58 continues the Longevity Bonus program indefinitely, but steps down Longevity Bonus payments in \$50 increments each year over a three year period to individuals who reach age 65 on January 1, 1994 or later, and eliminates Longevity Bonus payments for individuals who reach the age of 65 after December 31, 1996.

As the amount of the Longevity Bonus payments decreases, the amount of OAA-ALB Hold Harmless funds necessary for federal Supplemental Security Income (SSI) replacement also decreases. SB 58 does not affect the Adult Public Assistance program because Longevity Bonus payments are not treated as countable income by the program.

See the attached addendum for an analysis of this proposed change.

Prepared by: Jan I. Hansen, Director
 Division: Division of Public Assistance

Phone: 465-2680
 Date: 2/1/93

Approved by Commissioner: Theodore A. Mala, MD, MPH
 Agency: Department of Health & Social Services

Date: 2/2/93

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ANALYSIS (cont.):

1. SB 58 continues the OAA-ALB Hold Harmless program.
2. Only those who become 65 on or after January 1, 1994 will receive a reduced bonus.
3. For FY94 through FY99, without considering the effect of SB 53, the estimated number of new OAA-ALB recipients for each year will be as follows:

FY94	300
FY95	316
FY96	332
FY97	348
FY98	366
FY99	384

4. Because the bonus decreases take effect in the middle of each fiscal year, the number of OAA clients impacted during a fiscal year is one-half of the estimated new OAA-ALB Hold Harmless recipients for that fiscal year plus the number of new OAA-ALB Hold Harmless recipients for each previously impacted fiscal year.
5. Approximately 35 percent of all OAA recipients receive SSI. The change in the bonus amount affects only the hold harmless benefits paid to replace SSI benefits.
6. The effect of any bonus decrease on OAA-ALB Hold Harmless is delayed by 4 months because of the 2-month retrospective payment methodologies used by both the ALB program and the SSI program. For example, the bonus decreases will affect only 2 months in FY94 because the bonus decrease will not occur for the impacted OAA recipients until March 1, 1994, and SSI benefits will not be affected until May 1, 1994. Therefore, changes in the amount of hold harmless benefits to replace lost SSI benefits also begin May 1, 1994.
7. Estimates assume average age of new applicants for Old Age Assistance will be 65.
8. Longevity Bonus payments will decrease for OAA-ALB Hold Harmless recipients who become eligible for the bonus on or after January 1, 1994. OAA-ALB Hold Harmless program costs impacted will be as follows:

	BONUS DECREASE X	NEW OAA-ALB RECIPIENTS X 35%	CLIENT MONTHS X	SAVINGS
FY94	\$50	150 X 35% = 53	2	5.3
FY95	\$50	300 X 35% = 105	12	63.0
	\$100	158 X 35% = 55	2	<u>11.0</u>
				74.0
FY96	\$50	300 X 35% = 105	12	63.0
	\$100	316 X 35% = 111	12	133.2
	\$150	166 X 35% = 58	2	<u>17.4</u>
				213.6
FY97	\$50	300 X 35% = 105	12	63.0
	\$100	316 X 35% = 111	12	133.2
	\$150	332 X 35% = 116	12	208.8
	\$250	174 X 35% = 61	2	<u>30.5</u>
				435.5

Revision Date: _____

BILL NO. SB No. 58

ANALYSIS (cont.):

FY98	\$50	$300 \times 35\% = 105$	12	63.0
	\$100	$316 \times 35\% = 111$	12	133.2
	\$150	$332 \times 35\% = 116$	12	208.8
	\$250	$348 \times 35\% = 122$	12	366.0
	\$250	$183 \times 35\% = 64$	2	<u>32.0</u>
				803.0

FY99	\$50	$300 \times 35\% = 105$	12	63.0
	\$100	$316 \times 35\% = 111$	12	133.2
	\$150	$332 \times 35\% = 116$	12	208.8
	\$250	$348 \times 35\% = 122$	12	366.0
	\$250	$366 \times 35\% = 128$	12	<u>384.0</u>
	\$250	$192 \times 35\% = 67$	2	1188.5

Back-up

WALTER J. HICKEL
GOVERNOR



STATE OF ALASKA
OFFICE OF THE GOVERNOR
JUNEAU

January 22, 1993

58

The Honorable Rick Halford
President of the Senate
Alaska State Legislature
State Capitol
Juneau, AK 99801-1182

Dear President Halford:

Under the authority of art. III, sec. 18, of the Alaska Constitution, I am transmitting a bill that phases out the longevity bonus program over a several-year period.

This bill is necessary because the ever-increasing number of senior citizens in Alaska, coupled with the projected decline in state revenue, makes it clear that the state will not be able to afford the longevity bonus program over the long term. It is becoming increasingly necessary to shift state resources from non-need-based programs to programs for those truly in need. The bill protects current bonus recipients, and those future recipients who turn 65 before January 1, 1994, by providing that they will receive \$250 a month for the remainder of their lives (as long as the eligibility requirements are met). The bill phases out the program by reducing to \$200 the monthly bonus for those turning 65 in 1994, by reducing to \$150 the monthly bonus for those turning 65 in 1995, by reducing to \$100 the monthly bonus for those turning 65 in 1996, and by eliminating the bonus altogether for those turning 65 in 1997 and later.

I am proposing this phased elimination because many Alaskans who will be reaching age 65 in the next four years have counted on the bonus in planning for their retirement, and an abrupt termination of the program would not be fair to them.

I urge your prompt consideration and passage of this bill.

Sincerely,

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

Walter J. Hickel
Governor

MEMORANDUM

State of Alaska
Department of Law

TO Nancy Bear Usera
Commissioner
Department of Administration

DATE March 5, 1993
FILE NO 663-93-0335
TEL. NO 465-3600
SUBJECT Constitutionality of
"grandfathering" in
current longevity bonus
recipients and those
who will soon turn 65

FROM John B. Gaguine *JBG*
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You have asked for an opinion as to the constitutionality of the "grandfather" provisions of HB 81 and SB 58. These identical bills, both introduced by the respective rules committee on behalf of the governor, eliminate the longevity bonus for people who turn 65 on or after January 1, 1997. However, they contain "grandfather" provisions that allow persons turning 65 by the end of this year to keep receiving \$250 a month for the rest of their lives; persons turning 65 in 1994 to keep receiving \$200 a month for the rest of their lives; persons turning 65 in 1995 to keep receiving \$150 a month for the rest of their lives; and persons turning 65 in 1996 to keep receiving \$100 a month for the rest of their lives.

The question that these bills raise is whether the "grandfather" provisions violate the equal protection clause of the Alaska constitution, article I, section 1.¹ While we cannot give you a certain answer to this question, we believe strongly that a court would not overturn the "grandfather" provisions if either bill is entitled into law and the provisions were challenged.

Equal protection analysis in Alaska uses a "sliding scale" approach. When a legislative classification impairs an individual's interest, the court first looks at the weight of the that interest. The court then examines the legitimacy of the legislative purpose in enacting the classification. Finally, if the court finds that the interest is legitimate, it examines the "closeness of the fit" between the classification and the purpose. If the individual's interest is not especially weighty, a less-than-perfect fit will be tolerated. Rose v. Commercial Fisheries Entry Commission, 647 P.2d 154, 158-60 (Alaska 1982).

¹ If the provisions pass constitutional muster under the Alaska constitution, they will also pass muster under the federal equal protection clause, part of the Fourteenth Amendment, because the federal clause has been construed as more deferential to legislative enactments than the state clause. Rose v. Commercial Fisheries Entry Commission, 647 P.2d 154, 158 (Alaska 1982).

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The Alaska Supreme Court has held that an individual's interest in receiving government benefits is at the bottom of the sliding scale. State v. Anthony, 810 P.2d 155 (Alaska 1991) (permanent fund dividend); Sonneman v. Knight, 790 P.2d 702 (Alaska 1990) (unemployment compensation benefits). The Governor's introduction letter for both bills explains the purpose of the "grandfather" provisions: to protect current recipients, and those reaching age 65 in the next four years, because many of them have counted on the bonus in planning for retirement, and an abrupt termination of the program would cause hardship. Acting to prevent such hardship is obviously a legitimate legislative purpose. Finally, there is a substantial relationship between the purpose of the "grandfather" provisions and those provisions: by "grandfathering" in current recipients and those soon to turn 65, hardship is prevented. The fit is not perfect: there are obviously some current wealthy recipients who would suffer no hardship if their bonus was terminated, and some persons in their fifties who have made retirement plans relying on the bonus. But, as noted, when the individual's interest is at the bottom of the sliding scale, the fit does not have to be perfect. There is here a sufficiently substantial relationship that we are confident a court would not invalidate the "grandfather" provisions.

Our research has not disclosed any Alaska cases concerning the constitutionality of "grandfather" provisions. However, other jurisdictions have upheld such provisions, when there was a reason for them. In City of New Orleans v. Dukes, 427 U.S. 297 (1976), the U.S. Supreme Court upheld a New Orleans ordinance banning pushcart food sales in the French Quarter but allowing pushcart vendors who had operated in the Quarter for eight years to continue operating. Even though only two vendors qualified under this "grandfather" provision, the Court upheld the ordinance, finding it to be a permissible economic regulation "aimed at enhancing the vital role of the French Quarter's tourist-oriented charm in the economy of New Orleans." Id. at 303. Dukes has been widely followed by state and federal courts.

For the above reasons we believe that if HB 81 or SB 58 were enacted into law, and a court were presented with a claim that the "grandfather" provisions of the enactment violate the equal protection clause of the Alaska constitution, the court would reject the challenge and uphold the "grandfather" provision.

If we can be of further assistance, please let us know.

cc: Roberley Waldron
✓ Eileen Plate