

AK LEGISLATURE FINANCE COMMITTEES FILES 2007-2008 3226



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ALASKA HOUSING FINANCE CORPORATION

Summary of Capital Contributions from and Transfers to the State of Alaska from Inception through FY 2006

(\$'s in thousands)

Fiscal Year	State Approps Received	Debt Repaid	State Assets Purchased	Dividends Paid	State Direct Transfer	Other State Housing	Other State Funding	SGPB/JAA Debt Service	State Total	AHFC Capital Portion	AHFC Total Budget
1976	391.0	-	-	-	-	-	-	-	-	-	-
1977	2,109.0	-	-	-	-	-	-	-	-	-	-
1978	995.0	-	-	-	-	-	-	-	-	-	-
1979	3,630.0	-	-	-	-	-	-	-	-	-	-
1980	405,505.0	-	-	-	-	-	-	-	-	-	-
1981	155,590.0	-	-	-	-	-	-	-	-	-	-
1982	265,000.0	-	-	-	-	-	-	-	-	-	-
1983	150,000.0	-	-	-	-	-	-	-	-	-	-
1984	49,051.0	-	-	-	-	-	-	-	-	-	-
1985	-	-	-	-	-	-	-	-	-	-	-
1986	-	12,141.0	-	-	-	-	-	-	12,141.0	-	12,141.0
1987	-	16,127.0	70,000.0	-	-	-	-	-	86,127.0	-	86,127.0
1988	-	-	-	-	-	-	-	-	-	-	-
1989	-	-	-	-	-	-	-	-	-	-	-
1990	-	-	-	-	-	-	-	-	-	-	-
1991	-	-	-	17,171.0	-	-	-	-	17,171.0	-	17,171.0
1992	-	-	179,892.0	19,412.0	-	-	-	-	199,304.0	-	199,304.0
1993	37,252.0	-	-	40,715.0	-	-	-	-	40,715.0	-	40,715.0
1994	-	1,573.0	1,114.0	16,983.0	-	-	-	-	19,670.0	-	19,670.0
1995	-	-	-	20,043.0	200,000.0	-	-	-	220,043.0	-	220,043.0
1996	-	-	1,261.0	-	70,000.0	24,026.0	7,000.0	-	102,287.0	24,713.0	127,000.0
1997	-	-	-	-	50,000.0	19,205.3	1,865.0	-	71,070.3	29,377.8	100,448.1
1998	-	-	-	-	70,000.0	16,742.5	21,557.1	-	108,299.6	24,214.0	132,513.6
1999	-	-	-	-	24,019.9	36,265.0	18,974.0	8,856.1	88,115.0	14,885.0	103,000.0
2000	-	-	-	-	14,556.0	30,166.8	17,444.0	19,000.0	81,166.8	22,471.5	103,638.3
2001	-	-	-	-	15,007.5	28,649.7	9,229.6	35,992.5	88,879.3	14,120.7	103,000.0
2002	-	-	-	-	6,000.0	28,600.0	4,429.5	45,000.0	84,029.5	18,970.5	103,000.0
2003	-	-	-	-	18,700.0	18,818.8	1,476.0	51,000.0	89,994.8	13,005.2	103,000.0
2004	-	-	-	-	8,861.1	24,852.2	835.0	50,001.7	84,550.0	18,450.0	103,000.0
2005	-	-	-	-	31,942.6	531.5	3,746.9	51,000.0	87,221.0	15,779.0	103,000.0
2006	-	-	-	-	18,854.6	-	6,281.8	57,001.6	82,138.0	20,862.0	103,000.0
Totals	1,069,523.0	29,841.0	252,267.0	114,324.0	527,941.7	227,857.8	92,838.9	317,851.9	1,562,922.3	216,848.7	1,779,771.0

General Notes:

Contributions from the State are shown during fiscal year paid; Transfers to the State are based on when the legislative authorization took place and not the actual payment date.

Fiscal years through 1980 ended on November 30; FY 1981 reflects 7 months from December 1 through June 30; Fiscal years 1982 and later end on June 30

See AHFC Budget Summary Reports (located on Intranet) for details of specific appropriations from FY 1996 through FY 2006.



FOR RELEASE: December 1, 2006

For more information contact:
Becky Gay at 269-3024

AIDEA Board approves \$10 million dividend today

Anchorage – Today, at its last regular meeting of 2006, the AIDEA Board approved a dividend of \$10 million to go to the state general fund for FY2008.

The dividend represents the maximum allowed under law, or 50% of the \$20 million net operating income AIDEA realized in FY 2006. The Board has approved a maximum payout in each of the past three years.

Since the program inception in 1996, AIDEA has cumulatively paid nearly \$205 million to the state, including the \$10 million approved today.

Below is a recap of the dividend program.

For FY ending June 30	Payable in FY	Dividend \$
1995	1997	\$15,000,000
1996	1998	\$16,000,000
1997	1999	\$16,000,000
1998	2000	\$26,000,000
1999	2001	\$18,500,000
2000	2002	\$17,500,000
2001	2003	\$20,149,500
2002	2004	\$18,175,900
2003	2005	\$22,000,000
2004	2006	\$8,812,000
2005	2007	\$16,649,500
2006	2008	\$10,000,000
Cumulative		<u>\$204,786,900</u>

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**Alaska Aerospace Development
Dividend to the State**

(Change in Net Assets include Capital Contributions^{***})

	Change in Net Assets - "Net Income"	Unrestricted Change in Net Assets - "Unrestricted Net Income"	25% of Net Income Dividend	50% of Net Income Dividend	Dividend to the State
FY'02	\$ 301,657.00	1,101,953.00	\$2,325,414.25	\$4,650,828.50	\$1,101,953.00
FY'03	2,263,960.00	-220,035.00	\$815,990.00	\$1,631,980.00	\$0.00
FY'04	8,328,026.00	1,613,144.00	\$2,082,006.50	\$4,164,013.00	\$1,613,144.00
FY'05	11,032,563.00	1,836,459.00	\$2,758,140.75	\$5,516,281.50	\$1,836,459.00
FY'06	12,950,186.00	1,045,096.00	\$3,237,546.50	\$6,475,093.00	\$1,045,096.00
				Total Dividend to the State FY '02 - FY '06	\$5,596,652.00

Prepared by the Office of Representative Mike Kelly

Sources: Alaska Aerospace Development Corporation Annual Reports: FY 2002 thru FY 2006



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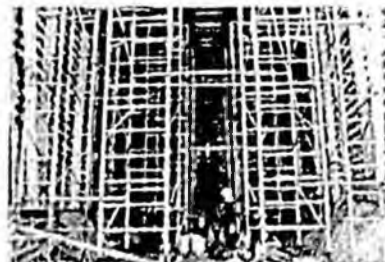
AADC History

The Alaska State Legislature created the Alaska Aerospace Development Corporation in 1991. The corporation was given the mission of creating a new high-technology industry for the state – space launch services.

From 1992 through 1994, AADC organized itself, completed a feasibility study for an orbital launch facility, raised funds and began permitting for a launch facility at Narrow Cape, on Kodiak Island. Narrow Cape was selected because launches into polar orbit can be made over the North Pacific Ocean, avoiding populated areas. In 1995 the legislature approved funding for the Kodiak Launch Complex. Design work was initiated and work on permits continued. In 1996, the U.S. Air Force Atmospheric Interceptor Test Program committed to two launches from the Kodiak Launch Complex.

Bids for construction were solicited in 1997 and construction began in 1998. AADC signed its first contract with a commercial customer that year, Lockheed Martin Corporation. Construction was completed in 2000.

In 2003 Alaska Aerospace Development Corporation and the U.S. Missile Defense Agency entered into a five-year contract for AADC to provide launch support services for numerous launches in connection with tests of the nation's missile defense system. The first and second launches under this contract took place on 14 December 2004 and 13 February 2005, respectively.



AADC helped initiate a space information industry in Fairbanks

While its primary mission is launch services through the Kodiak Launch Complex, AADC also has helped initiate a space information industry in Fairbanks. To encourage a space information industry in Fairbanks, AADC has provided a preliminary feasibility study of an earth station in Fairbanks. The information proved important to several commercial space information firms in their decisions to build stations in Fairbanks. Fairbanks, with its high latitude location, is well suited as a location to retrieve, or "down-link", data from remote sensing, research, or other observation satellites in polar orbits. A satellite in polar orbit offers data to a receiving earth station in Fairbanks more times a day than would be possible if the earth station were at a more southerly location.

As the use of space and polar orbiting satellites becomes more common for a wide variety of uses, the existing earth stations in Fairbanks, the University of Alaska Fairbanks and its supercomputer center, and the established fiber optic infrastructure

Kodiak Launch List

February 23, 2006

Flight Test rocket FT 04-1 was successfully launched from the Kodiak Launch Complex for the Missile Defense Agency in support of a target missile tracking test.

February 13, 2005

Integrated Flight Test missile (IFT) 14 - The U.S. Missile Defense Agency launched the second Integrated Flight Test missile from KLC as a continuing test of the nation's missile defense system.

December 14, 2004

Integrated Flight Test (IFT) 13C - The U.S. Missile Defense Agency launched the first of several rockets from KLC to test the nation's missile defense system.

April 24, 2002

ORLV-2 - Air Force - Northern Edge U.S. Air Force launched second Quick Reaction Launch Vehicle, simulating an enemy missile attack on U.S. forces. The launch was part of the Alaska Command's Northern Edge 2002 exercise.

November 9, 2001

STARS - WCRF - U.S. Army - SMDC

September 29, 2001

Kodiak Star - Lockheed/NASA

March 22, 2001 - Quick Reaction Launch Vehicle (ORLV-1).

September 15, 1999

U.S. Air Force AIT-2 - Air Force - Second Air Force atmospheric interceptor technology launch.

November 5, 1998

U.S. Air Force AIT-1 - Air

for high-speed data transmission between Fairbanks and Anchorage will provide the foundation for further growth in information services related to space.

[^ top](#)

Force – First Air Force atmospheric interceptor technology test missile launched with just the essential core facilities of the KLC constructed.

[+ View Launch Videos](#)



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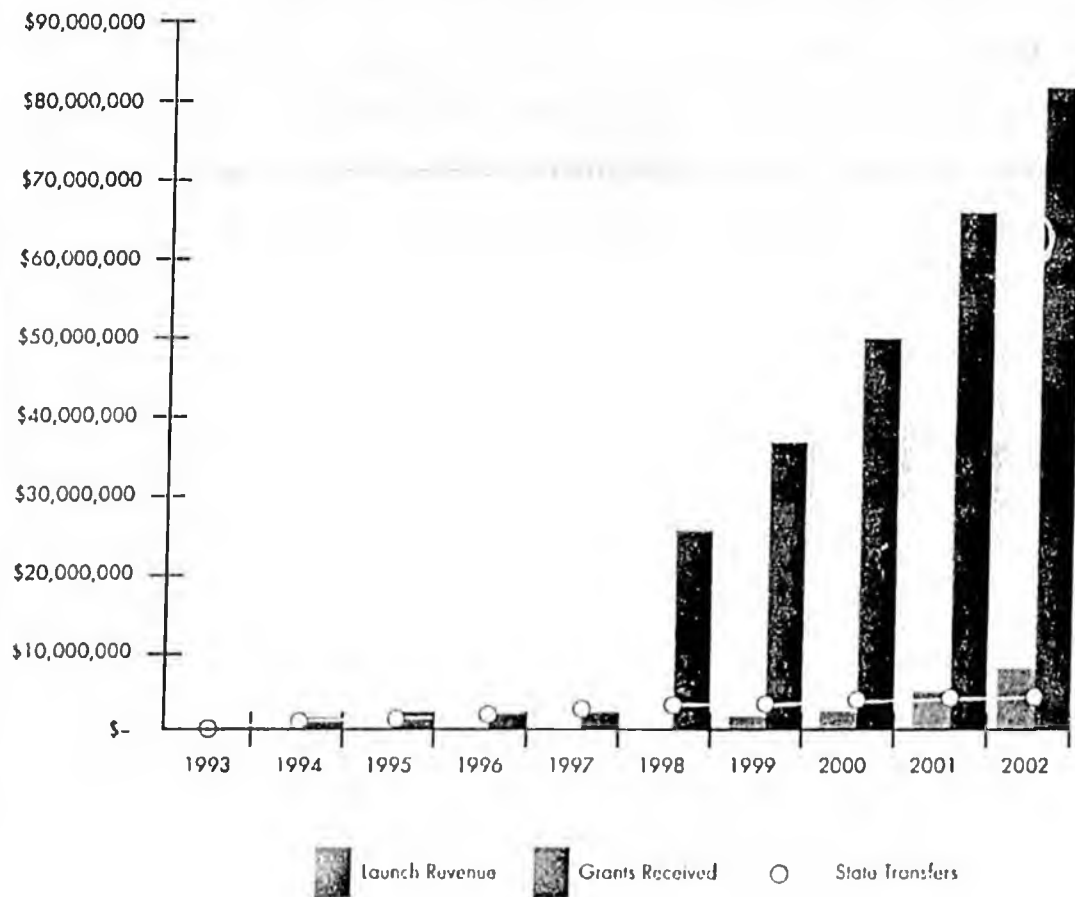
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2002

Financials

The completion of fiscal year 2002 marks the Tenth Anniversary of AADC's operations. During this period, AADC received approximately \$98 million from grants, launch revenue, and state appropriations. The following graph summarizes the cumulative effects of the three classes:

AADC Cumulative Funding Sources Since Inception



During FY 02, AADC's total net assets increased from \$39 million to \$48 million, primarily through Federally contributed capital. Our analysis below compares the net assets of AADC's business-type activities.

Table 1: Statement of Net Assets (in Millions)

	Current Year	Prior Year	Change	% Change
Assets				
Capital assets	\$47,575,123	\$39,375,419	\$8,199,704	20.8%
Current and other assets	27,156,553	27,713,975	(557,422)	-2.0%
Total assets	74,731,676	67,089,394	7,642,282	11.4%
Liabilities				
Long-term liabilities	25,656,015	26,002,394	(346,379)	-1.3%
Other liabilities	607,444	1,920,440	(1,312,996)	-66.4%
Total Liabilities	26,263,459	27,922,834	(1,659,375)	11.4%
Net assets:				
Invested in capital assets, net of related debt	47,575,123	39,375,419	8,199,704	20.8%
Restricted	-	-	-	-
Unrestricted	893,094	(208,859)	1,101,953	527.6%
Total Net Assets	\$48,468,217	\$39,166,560	\$9,301,657	23.7%

The 23.7% increase in net assets is due mainly from the completion of the Kodiak Launch Complex (KLC). The receipt of \$12,462,678 from the Federal grants offset the \$12,809,254 expended on the Complex during the current year. Of that amount, \$9,940,131 was capitalized to the Kodiak Launch Complex. The majority of the KLC additions related to the construction of the Range Safety and Telemetry System (RSTS), which is scheduled for completion in 2003.



Business-type Activities

AADC's total revenues increased modestly while the total cost of all programs and services increased significantly. However, the primary cause of the increase in expenses came from the first year of depreciation on the KLC. Our analysis below focuses on the changes in net assets of AADC's business-type activities.

Table 2 Changes in Net Assets (in Millions)

	Current Year	Prior Year	Change	% Change
Launch revenue	\$4,614,743	\$4,225,231	\$389,512	9.2%
Expenses				
Lunch expenses	2,230,526	1,155,636	1,074,890	93.0%
Personal services	748,172	718,247	29,925	4.2%
Travel	157,168	101,538	55,630	54.8%
Contractual services	780,545	1,017,532	(236,987)	-23.3%
Supplies	115,416	107,661	7,755	7.2%
Depreciation	1,743,331	26,984	1,716,347	6360.6%
Total operating expenses	5,775,158	3,127,598	2,647,560	84.7%
Excess (deficit)	(1,160,415)	1,097,633	(2,258,048)	-205.7%
Interest income	331,874	98,546	233,328	236.8%
From component units	185,067	555,200	(370,133)	-66.7%
Change in Net Assets	(\$643,474)	\$1,751,379	(\$2,394,853)	-136.7%

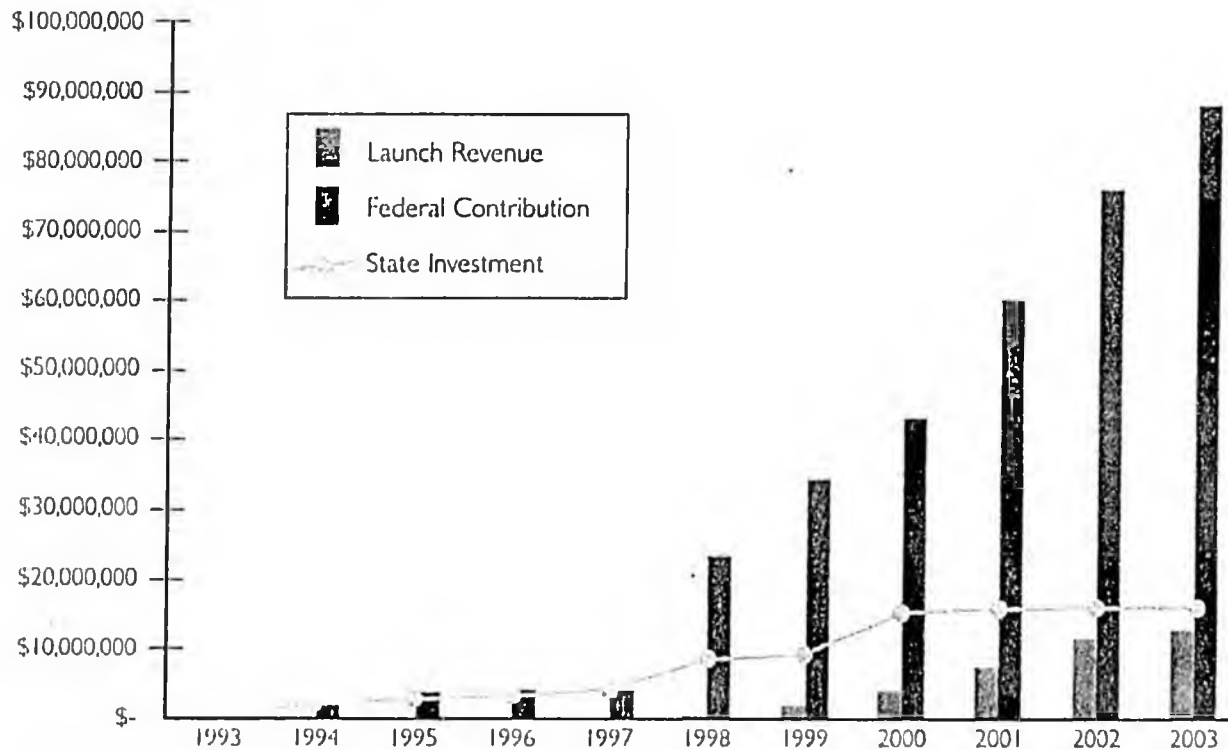
Revenues of AADC's business-type activities increased by 9.2 percent (\$4.6 million in 2002 compared to \$4.2 million in 2001) and the related expenses increased by 84.7 percent. The factors driving these results include:

- Revenues increased due to the three launches in 2002, while only one launch occurred in 2001. However, progress billings of \$2,827,964 related to fiscal year 2002 launches were received in 2001.
- The primary factor driving the increased expenses results stems from the depreciation of the KLC facilities. AADC began depreciating the KLC during 2002 in accordance with GASBS 34. Management expects the depreciation expense to increase in future years with the completion of the Range Safety System and the retroactive implementation of the infrastructure provisions of GASBS 34.

Financials

The completion of fiscal year 2003 marks the eleventh anniversary of AADC's operations. During this period, AADC received approximately \$114 million from Federal grants, launch revenue and State appropriations. The following graph summarizes what the State Investment in AADC has garnered in Federal and industry support.

Return on State Investment



2003

During FY03, AADC's total net assets increased from \$48 million to \$51 million, primarily through Federally contributed capital.

Table I Statement of Net Assets (in Millions)

	Current Year	Prior Year	Change	Percent Change
Assets				
Capital assets	\$51,059,118	\$47,575,123	\$3,483,995	7.3%
Current and other assets	32,817,703	27,156,553	5,661,150	20.8%
Total assets	83,876,821	74,731,676	9,145,145	12.2%
Liabilities				
Long-term liabilities	31,890,358	25,656,015	6,234,343	24.3%
Other liabilities	254,286	607,444	(353,158)	-58.1%
Total Liabilities	32,144,644	26,263,459	5,881,185	-22.4%
Net assets:				
Invested in capital assets, net of related debt	51,059,118	47,575,123	3,483,995	7.3%
Restricted	-	-	-	-
Unrestricted	673,059	893,094	(220,035)	24.6%
Total net assets	\$51,732,177	\$48,468,217	\$3,263,960	6.7%

The total net assets increase of 6.7% is due to \$5,117,447 capitalized to Kodiak Launch Complex (KLC) and a net loss of \$1,853,487. The depreciation expense of \$1,881,959 significantly contributed to the net loss. The agency received \$14.6 million from the Federal grants and expended \$8.1 million during the current year. Of that amount, \$3.2 million was used for operations, with the remainder capitalized to the Kodiak Launch Complex. The majority of the KLC additions related to the construction of the Range Safety and Telemetry System (RSTS). The RSTS is scheduled for completion in 2004.

Business-type Activities

The reduction in AADC's revenues was expected, as there was no launches in fiscal year 2003. However, management expects the launch revenue to increase dramatically in 2004 due to the anticipated Missile Defense Agency launches. As expected, the current year expenses also decreased with no launches. Depreciation on the KLC continues to be a significant operating expense. The analysis below focuses on the changes in net assets of AADC's business-type activities.

Table 2 Changes in Net Assets (in Millions)

	Current Year	Prior Year	Change	Percent Change
Launch revenue	\$378,750	\$4,614,413	(\$4,235,993)	-91.8%
Operating Expenses				
Launch expenses	-	2,230,526	(2,230,526)	-100.0%
Personal services	1,120,502	3,617,295	(2,496,793)	-69.0%
Travel	471,125	157,168	313,957	199.8%
Contractual services	1,219,418	780,545	438,873	56.2%
Supplies	852,471	115,416	737,055	638.6%
Depreciation	1,881,959	1,743,331	138,628	8.0%
Total operating expenses	5,545,475	8,641,281	(3,098,806)	-35.8%
Excess (deficit)	(5,166,725)	(4,029,538)	(1,137,187)	28.2%
Interest income	64,034	331,874	(267,840)	-80.7%
KLC grants recognized	3,249,704	2,869,123	380,080	13.2%
From component units	-	185,067	(185,067)	-100.0%
Change in Net Assets	(\$1,853,487)	(\$643,474)	(\$1,210,014)	188.0%

Launch revenues decreased by 91.8 percent (\$4 million in 2003 compared to \$4.6 million in 2002) and the related expenses decreased by 35.8 percent. The factors driving these results include:

- Revenues decreased due to no launches in 2003, while there were three launches in 2002. The current year launch revenue relates to 2002 launches.
- The activity at the KLC decreased which primarily contributed to the decrease in expenses. Management expects the 2004 expenses to increase in proportion to the launch revenues described above. AADC's net income excluding the effects of depreciation was \$28,471.
- AADC has not traditionally budgeted for depreciation expense since the amounts have been immaterial to the overall operations. The depreciation expense increased by \$138,628 from 2002 due to current year capital additions to the KLC. The depreciation expense increased slightly due to current year property additions. Management expects the depreciation expense to increase in future years with the completion of the Range Safety and Telemetry System and the retroactive implementation of the infrastructure provisions of GASBS 34.

- AADC did not receive any operating transfers from the State of Alaska during fiscal year 2003. Management does not anticipate any future transfers and has taken steps to become fully self-sufficient. Consequently, AADC's 2004 budget forecasts four launches with a net income of \$1,896,000.
- AADC budgeted \$200,000 for a deferred maintenance fund, but did not set aside any monies.

AADC's Budgetary Highlights

The State of Alaska approves AADC's budget annually. Accordingly, neither the Board of Directors nor management has the authority to modify the budget. However, the budget has historically included provisions granting AADC "receive and expend authority". This allows AADC to contemporaneously receive funding from launch customers and expend funds as necessary to provide services.

The significant variance between the adopted budget for the year 2003, and the actual results were due to the omission of depreciation in the budget and effects of recognizing grant revenue.

If the 2004 budgeted net income is realized, AADC's net assets are expected to increase by \$1.9 million. If this occurs, approximately \$200,000 will be used to fund a deferred maintenance account. The rest will be used for working capital demands and continued expansion of the Kodiak Launch Complex.

2004

Financials

Return on State Investment (Cumulative)

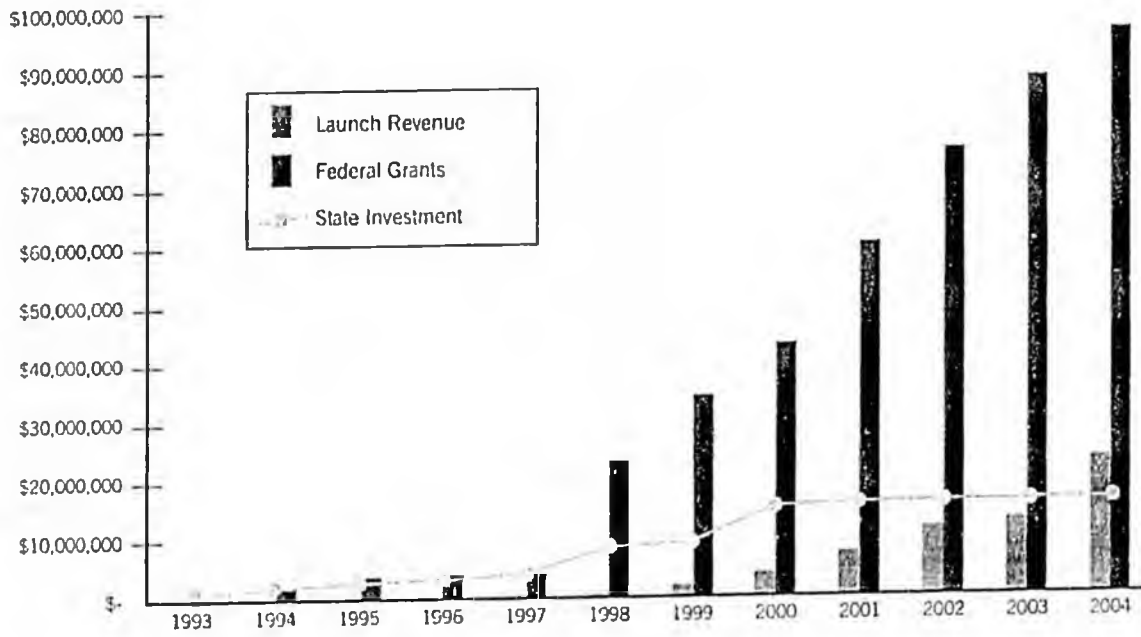


Table 1: Statement of Net Assets

	Current Year	Prior Year	Change	% Change
Assets				
Capital assets	\$57,774,000	\$51,059,118	\$6,714,882	13.2%
Current and other assets	36,072,975	32,817,703	3,255,272	9.9%
Total assets	93,846,975	83,876,821	9,970,154	11.9%
Liabilities				
Long-term liabilities	27,063,968	31,890,358	(4,826,390)	-15.1%
Other liabilities	6,722,804	254,286	6,468,518	2543.8%
Total Liabilities	33,786,772	32,144,644	1,642,128	5.1%
Net assets:				
Invested in capital assets, net of related debt	57,774,000	51,059,118	6,714,882	13.2%
Restricted	-	-	-	-
Unrestricted	2,286,203	673,059	1,613,144	239.7%
Total Net Assets	\$60,060,203	\$51,732,177	\$8,328,026	16.1%

The total net assets increase of 16.1% is due to \$8,994,408 capitalized to the Kodiak Launch Complex (KLC) and a net loss of (\$666,382). The depreciation expense of \$2,298,109 contributed to the net loss. The AADC received \$7.6 million from Federal grants and expended \$12.7 million during the current year. Of that amount, \$3.5 million was used for launch related operations, with the remainder capitalized to the Kodiak Launch Complex. The majority of the KLC additions related to the construction of the Range Safety and Telemetry System (RSTS) and the Maintenance and Storage Facility. The RSTS was completed in July, 2004.



Business-type Activities

The increase in AADC's revenues was expected due to Missile Defense Agency launch contracts secured during fiscal year 2004. The current year expenditures also increased with the additional activity. Depreciation on the KLC continues to be a significant operating expense. The analysis below focuses on the changes in net assets of AADC's business-type activities.

Table 2: Changes in Net Assets

	Current Year	Prior Year	Change	% Change
Launch revenue	\$10,229,566	\$378,750	\$9,850,816	2600.9%
Operating Expenses				
Personal services	1,568,628	1,120,502	448,126	40.0%
Travel	644,936	471,125	173,811	36.9%
Contractual services	8,136,968	1,219,418	6,917,550	567.3%
Supplies	1,931,480	852,471	1,079,009	126.6%
Depreciation	2,298,109	1,881,959	416,150	22.1%
Total operating expenses	14,580,121	5,545,475	9,034,646	162.9%
Excess (deficit)	(4,350,555)	(5,166,725)	816,170	-15.8%
Interest income	11,579	64,034	(52,455)	-81.9%
KLC grants recognized	3,672,594	3,249,204	423,390	13.0%
From component units	-	-	-	-
Change in Net Assets	(\$666,382)	(\$1,853,487)	\$1,187,105	64.0%



Launch revenues increased materially during the current year, while the related expenses increased marginally in comparison. The factors driving these results include:

- Revenues increased due to new launch contracts in 2004, while there were no launches in 2003. The forecasted launch revenue is expected to continue at or above the current level.
- The activity at the KLC increased due to launch contracts and construction. This primarily contributed to the increase in expenses. Management expects the 2005 expenses to continue in proportion to the launch revenues described above.
- AADC has not traditionally budgeted for depreciation expense, but expects to include an estimate in the future. The depreciation expense increased by \$416,150 from 2003 due to KLC capital additions and depreciation of infrastructure. Management expects the depreciation expense to increase in future years with the completion of the Range Safety and Telemetry System and the Maintenance and Storage Facility.
- AADC did not receive any general funds from the State of Alaska during fiscal year 2004. Management does not anticipate any future general funds and is fully self-sufficient.

AADC's Budgetary Highlights

The State of Alaska approves AADC's budget annually. In fiscal year 2004, the Board approved a budget prior to the State. Neither the Board of Directors nor management has the authority to modify the budget once approved by the State. However, the budget has historically included provisions granting AADC "receive and expend authority". This allows AADC to contemporaneously receive funding from launch customers and expend funds as necessary to provide services.

The variance between the adopted budget for the year 2004 and the actual results were due to the omission of depreciation in the budget and the effects of recognizing grant revenue.



2005

Financials

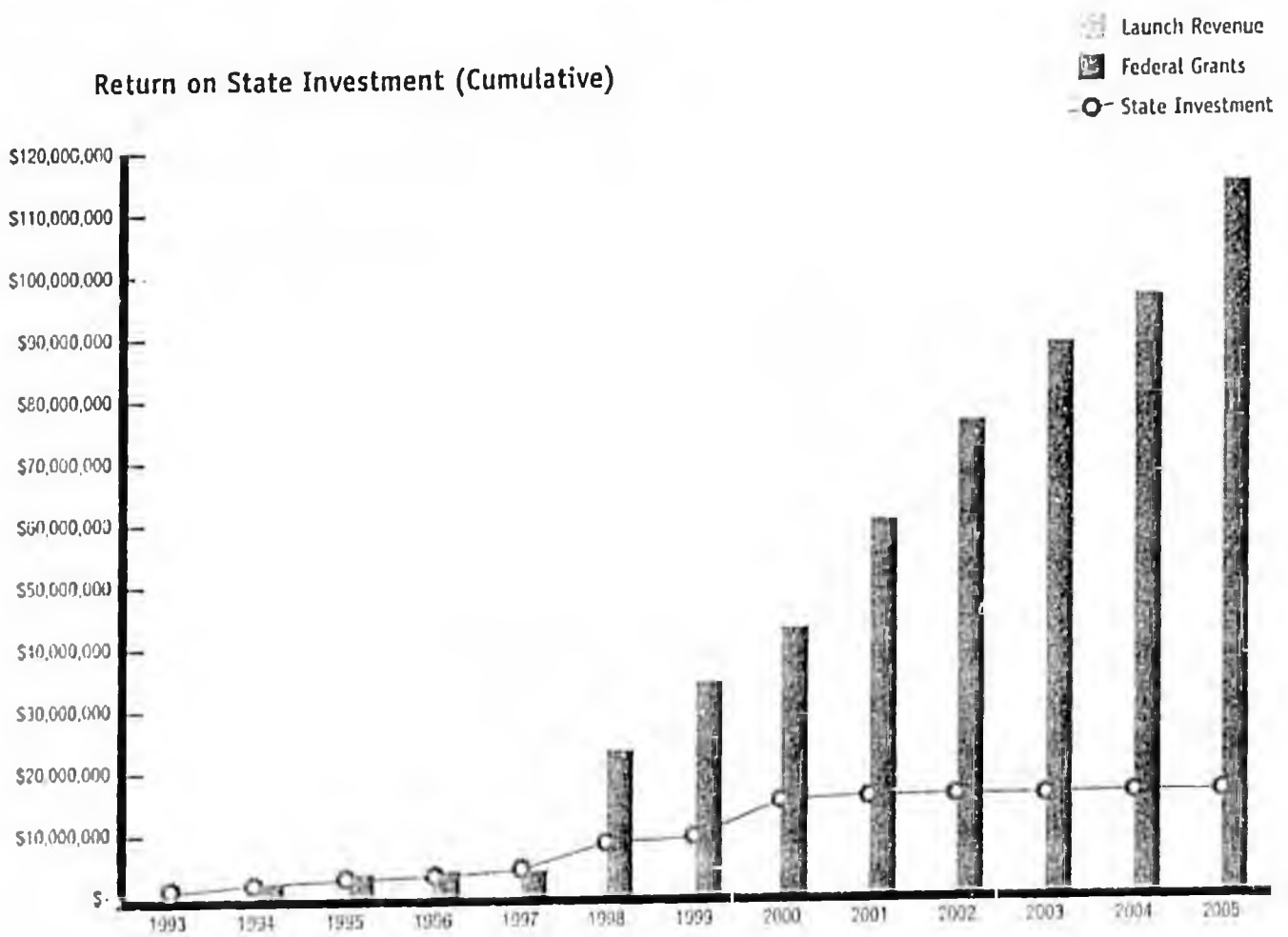


Table 1: Statement of Net Assets

	Current Year	Prior Year	Change	% Change
Assets				
Capital assets	\$66,970,104	\$57,774,000	\$9,196,104	16%
Current and other assets	36,450,320	36,072,975	377,345	1%
Total Assets	103,420,424	93,846,975	9,573,449	10%
Liabilities				
Long-term liabilities	27,415,473	27,061,797	353,676	1%
Other liabilities	4,912,185	6,724,975	(1,812,790)	(27%)
Total Liabilities	32,327,658	33,786,772	(1,459,114)	(4%)
Net Assets				
Invested in capital assets, net of related debt	66,970,104	57,774,000	9,196,104	16%
Unrestricted	4,122,662	2,286,203	1,836,459	80%
Total Net Assets	\$71,092,766	\$60,060,203	\$11,032,563	18%

The total net assets increase of 18% is due to \$12.5 million capitalized to Kodiak Launch Complex (KLC) against a net loss of (\$1.5 million). The distribution of the depreciation expense of \$3.4 million applied against operating revenue resulted in a net loss. The corporation received \$13.9 million from federal grants. The majority of the net asset increase was attributable to the construction of the Mobile Telemetry System (MIS) vans, Maintenance and Storage Facility (MSF), and additional equipment. The construction of the MSF will be completed in the coming fiscal year.

Financials

Business-type Activities

The increase in revenue is supported by a contract with the Missile Defense Agency for operations support and launch activity. The current year expenditures increased based on customer requirements to support launch activity. Depreciation on the Kodiak Launch Complex continues to be a significant operating expense. The analysis below highlights the changes in net assets of Alaska Aerospace Development Corporation's business-type activities.

Table 2: Changes in Net Assets

	Current Year	Prior Year	Change	% Change
Operating Revenue	\$16,914,593	\$10,229,566	\$6,685,027	65%
Operating Expenses				
Personal services	2,385,675	1,568,628	817,047	52%
Travel	1,046,714	644,936	401,778	62%
Contractual services	11,642,643	8,136,968	3,505,675	43%
Supplies	674,054	1,931,480	(1,257,426)	(65%)
Equipment	715,506		715,506	100%
Depreciation	3,423,327	2,298,109	1,125,218	49%
Total Operating Expenses	19,887,919	14,580,121	5,307,798	36%
Net Operating Loss	(2,973,326)	(4,350,555)	1,377,229	32%
Interest income	52,287	11,579	40,708	352%
Federal grants	1,406,902	3,672,594	(2,265,692)	(62%)
Loss Before Contribution	(\$1,514,137)	(\$666,382)	(\$847,755)	(127%)

Operating revenue and expenses increased during the current year. The factors driving these results include:

- Revenue increased as a result of the two successful launch campaigns completed during the fiscal year. Launch revenue is expected to increase marginally in 2006.
- Facilities construction and launch contract activity increased operations at the KLC. This contributed to the increase in expenses. Management expects expenses for 2006 to increase in proportion to launch revenues, similar to 2005.
- The depreciation expense increased by \$1.1 million from 2004 as a result of KLC capital additions, completion of the Range Safety and Telemetry System, and the depreciation of infrastructure. Management expects depreciation expenses to increase in the future with the completion of the Maintenance and Storage Facility in fiscal year 2006 and additional capital projects.
- AADC did not receive any general funds from the State of Alaska during fiscal year 2005 or any other year since inception. Management does not anticipate receiving any future general funds as AADC is self-sufficient.
- AADC's 2006 budget forecasts three launches generating \$24 million in operating revenue.

AADC's Budgetary Highlights

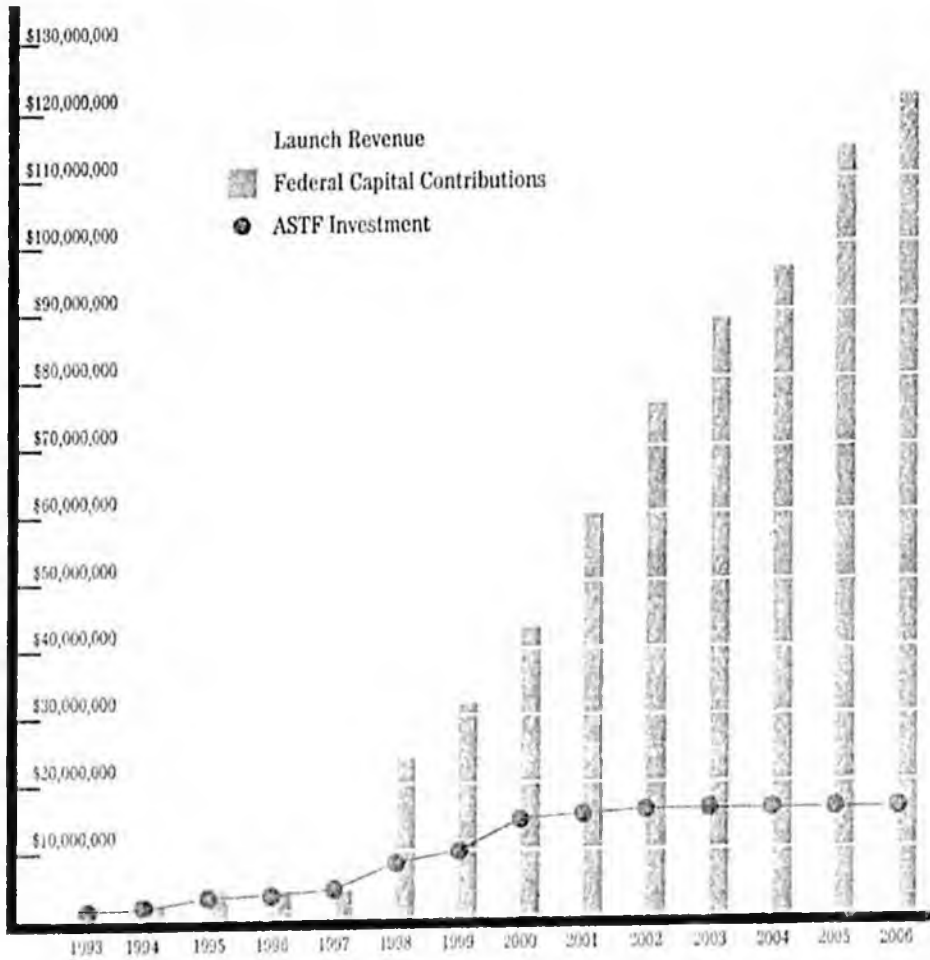
The State of Alaska approves AADC's budget annually. Accordingly, neither the Board of Directors nor management has the authority to modify the budget. However, the budget has historically included provisions granting AADC "receive and expend authority." This allows AADC to receive funding from launch customers and expend funds as necessary to meet contract obligations and business opportunities.



2006

financials

RETURN ON INVESTMENT (CUMULATIVE)



The above depicts a total of \$180.2 million in revenue from launches (\$55.4 million) and capital contributions (\$124.8 million from NASA, US Air Force and US Army) that has been brought to the State of Alaska as a return on the initial financial investment of \$15.6 million provided by the Alaska Science and Technology Foundation (ASTF).

financials

TABLE 1: STATEMENT OF NET ASSETS

	Current Year	Prior Year	Change
Assets			
Current assets	\$10,509,995	\$36,450,320	(\$16,940,325)
Capital assets, net	78,875,194	66,970,104	11,905,090
Total Assets	\$98,385,189	103,420,424	(5,035,235)
Liabilities			
Current liabilities	1,796,117	4,912,185	(3,116,068)
Noncurrent liabilities	12,546,120	27,415,473	(14,869,353)
Total Liabilities	14,342,237	32,327,658	(17,985,421)
Net Assets			
Invested in capital assets	78,875,194	66,970,104	11,905,090
Unrestricted	5,167,758	4,122,662	1,045,096
Total Net Assets	\$84,042,952	\$71,092,766	\$12,950,186

16

The total net assets increase of 18 percent is the result of \$12.9 million of capitalized projects at KLC. The majority of the KLC capital additions are related to the continued construction of the telemetry system, design of a new launch pad and rocket motor storage facility and the installation of fiber optic cable. The construction of the Maintenance and Storage Facility was completed in 2005.

Business-type Activities

AADC's operating revenues are supported by a contract secured with the Missile Defense Agency for operations and launch activity. Depreciation on the KLC continues to be a significant operating expense. The table below highlights the changes in net assets of Alaska Aerospace Development Corporation's business-type activities.

TABLE 2: CHANGES IN NET ASSETS

	Current Year	Prior Year	Change
Operating Revenues	\$16,892,116	\$16,914,593	(\$22,477)
Operating Expenses			
Personal services	3,595,677	2,385,675	1,210,002
Travel	1,003,921	1,046,714	(42,793)
Contractual services	9,919,394	1,642,643	(1,723,249)
Supplies	689,811	674,054	15,757
Equipment	1,339,187	715,507	623,680
Depreciation	3,713,769	3,423,326	290,443
Total Operating Expenses	20,261,759	19,887,919	373,840
Net Operating Loss	(3,369,643)	(2,973,326)	(396,317)
Nonoperating Revenues			
Interest income unrestricted	155,070	52,287	102,783
Cooperative Agreement	296,077	1,406,902	(1,110,825)
Total Nonoperating Expenses	451,147	1,459,189	(1,008,042)
Loss Before Capital Contributions	(2,918,496)	(1,514,137)	(1,404,359)
Capital Contributions	15,868,682	12,546,700	3,321,982
Change in Net Assets	12,950,186	11,032,563	1,917,623
Net Assets - Beginning of Year	71,092,766	60,060,203	11,032,563
Net Assets - End of Year	\$84,042,952	\$71,092,766	\$12,950,186

HB

226

HFIN

FILE

FISCAL NOTE

STATE OF ALASKA
2007 LEGISLATIVE SESSION

Fiscal Note Number: _____
Bill Version: CS HB 226 (FIN)
() Publish Date: _____

Revision Date/Time (Note if correction): _____ Dept. Affected: Labor & Workforce Dev.
Title: Appeal Termination of STEP Program RDU: Business Partnerships
Component: Business Services
Sponsor: Representative Coghill
Requester: House Finance Committee Component No.: 2658

Expenditures/Revenues (Thousands of Dollars)

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

OPERATING EXPENDITURES	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013
Personal Services		408.3				
Travel		28.3				
Contractual		402.5				
Supplies		6.1				
Equipment						
Land & Structures						
Grants & Claims		4,472.0				
Miscellaneous						
TOTAL OPERATING		5,317.2				

CAPITAL EXPENDITURES						
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CHANGE IN REVENUES ()		5,662.0				
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FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF						
1005 GF/Program Receipts						
1037 GF/Mental Health						
1054 State Employment & Training		5,317.2				
TOTAL		5,317.2				

Estimate of any current year (FY2007) cost: 0.0
Mark this box (X) if funding for this bill is included in the Governor's FY 2008 budget proposal:

POSITIONS

Full-time		4.00				
Part-time						
Temporary						

ANALYSIS: (Attach a separate page if necessary)
HB 226 extends the termination date for the State Training and Employment Program to June 30, 2009.

Prepared by: House Finance Committee Phone: 465-4945
Division: _____ Date/Time: 05/04/07 11:18 a.m.
Approved by: Representative Meyer Date: 5/4/2007
Representative Chanault

FISCAL NOTE

STATE OF ALASKA
2007 LEGISLATIVE SESSION

Fiscal Note Number: _____
Bill Version: CS HB 226 (FIN)
() Publish Date: _____

Revision Date/Time (Note if correction): _____ Dept. Affected: Labor & Workforce Dev.
Title: Repeal Termination Date of STEP Program RDU: Employment Security
Component: Unemployment Insurance
Sponsor: Representative Coghill
Requester: House Finance Committee Component No. 2276

Expenditures/Revenues (Thousands of Dollars)

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

OPERATING EXPENDITURES	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013
Personal Services		270.7				
Travel		5.0				
Contractual		50.0				
Supplies		19.1				
Equipment						
Land & Structures						
Grants & Claims						
Miscellaneous						
TOTAL OPERATING		344.8				

CAPITAL EXPENDITURES						
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CHANGE IN REVENUES ()						
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FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF						
1005 GF/Program Receipts						
1037 GF/Mental Health						
1054 State Employment & Training		344.8				
TOTAL	0.0	344.8				

Estimate of any current year (FY2007) cost: 0.0

Mark this box (X) if funding for this bill is included in the Governor's FY 2008 budget proposal:

POSITIONS

Full-time		3				
Part-time						
Temporary						

ANALYSIS: (Attach a separate page if necessary)

This bill extends the termination date for the State Training and Employment Program to June 30, 2009.

Prepared by: House Finance Committee
Division: _____
Approved by: Representative Moyer
Representative Chonault

Phone 465-4945
Date/Time 05/04/07 11:14 a.m.
Date 5/4/2007

2007 HOUSE FINANCE COMMITTEE VOTE SHEET

DATE: 5-4-07

Amendment: 2
HB 226

MEMBER

Favor

Oppose

JOULE		✓
KELLY	✓	
NELSON		✓
STOLTZE	✓	
THOMAS	✓	
CRAWFORD		✓
FOSTER	✓	
GARA		✓
HAWKER	✓	
CHENAULT	✓	
MEYER	✓	

Yea 7

Nay 4

adopted
5-4-07

CONCEPTUAL AMENDMENT 1

OFFERED IN THE HOUSE
TO: CS HB 226 (L&C)

BY REPRESENTATIVE MEYER

1 Page 1, line 1, following "program;"

2 Insert "**requiring a review of the program;**"

3

4 Page 1, following line 8:

5 Insert a new bill section to read:

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

8 REVIEW OF THE STATE TRAINING AND EMPLOYMENT PROGRAM.

9 The Department of Labor and Workforce Development, in consultation with the
10 entities listed in AS 23.15.645(b), shall work with representatives of entities eligible
11 to submit a grant application under AS 23.15.620-23.15.660 and that provide
12 industry specific training, on-the-job training, institutional training, classroom job
13 linked training and employment assistance to conduct a review of the priorities and
14 procedures of the state training and employment program. The entities involved in
15 the review of the state training and employment program must represent organized
16 labor and non-union entities. Following the review, the department shall publish a
17 written report containing its findings and recommendations, including changes, that
18 it recommends be made to state statute and regulations. The department shall deliver
19 the report to the president of the senate and the speaker of the house of
20 representatives on or before the 30th day of the 2008 regular legislative session."

21

22 Renumber the following bill section accordingly.

23

24

RD 5-4-07 as amended

25-LS0778\C

CS FOR HOUSE BILL NO. 226(L&C)

IN THE LEGISLATURE OF THE STATE OF ALASKA

TWENTY-FIFTH LEGISLATURE - FIRST SESSION

BY THE HOUSE LABOR AND COMMERCE COMMITTEE

Offered: 4/20/07
Referred: Finance

Sponsor(s): REPRESENTATIVE COGHILL

A BILL

FOR AN ACT ENTITLED

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

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

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

7 Sec. 6. AS 23.15.620, 23.15.625, 23.15.630, 23.15.635, 23.15.640, 23.15.645,
8 23.15.651, and 23.15.660 are repealed June 30, 2014 [2008].

9 * Sec. 2. This Act takes effect immediately under AS 01.10.070(c).

adopted
[Signature]

7-4

5-4-07

AMENDMENT 2

OFFERED IN THE HOUSE
TO: CS HB 226 (L&C)

BY REPRESENTATIVE MEYER

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Page 1, line 8

Delete "2014"

Insert "2009"

need revision

FISCAL NOTE

STATE OF ALASKA
2007 LEGISLATIVE SESSION

Fiscal Note: 1
Bill Version: CSHB 226(L&C)
(H) Publish Date: 4/20/07

Revision Date/Time (Note if correction): _____ Department: Labor and Workforce Development
Title: Repeal Termination of STEP Program RDU: Employment Security
Component: Unemployment Insurance
Sponsor: Representative Coghill
Requester: House L&C Component Number: 2276

Expenditures/Revenues (Thousands of Dollars)

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

OPERATING EXPENDITURES	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013
Personal Services		270.7	270.7	270.7	270.7	270.7
Travel		5.0	5.0	5.0	5.0	5.0
Contractual		50.0	50.0	50.0	50.0	50.0
Supplies		19.1	19.1	19.1	19.1	19.1
Equipment						
Land & Structures						
Grants & Claims						
Miscellaneous						
TOTAL OPERATING	0.0	344.8	344.8	344.8	344.8	344.8

CAPITAL EXPENDITURES						
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CHANGE IN REVENUES ()						
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FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF						
1005 GF/Program Receipts						
1037 GF/Mental Health						
1054 State Employment & Training		344.8	344.8	344.8	344.8	344.8
TOTAL	0.0	344.8	344.8	344.8	344.8	344.8

Estimate of any current year (FY2007) cost: None
Mark this box (X) if funding for this bill is included in the Governor's FY 2008 budget proposal:

POSITIONS

Full-time		3	3	3	3	3
Part-time						
Temporary						

ANALYSIS: (Attach a separate page if necessary)

This bill repeals the termination date for the State Training and Employment Program and makes the program permanent.

Prepared by: Thomas Nelson, Director Phone: 465-5937
Division: Employment Security Division Date/Time: 4/17/07 10:05 AM
Approved by: Click Bishop, Commissioner Date: 4/17/2007
Agency: Department of Labor and Workforce Development

Need revision

FISCAL NOTE

STATE OF ALASKA
2007 LEGISLATIVE SESSION

Fiscal Note: 2
Bill Version: CSHB 226(L&C)
(H) Publish Date: 4/20/07

Revision Date/Time (Note if correction): _____ Department: Labor and Workforce Development
Title: Repeal Termination of STEP Program RDU: Business Partnerships
Sponsor: Representative Coghill Component: Business Services
Requester: House L&C Component Number: 2658

Expenditures/Revenues (Thousands of Dollars)

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

OPERATING EXPENDITURES	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013
Personal Services		408.3	408.3	408.3	408.3	408.3
Travel		28.3	28.3	28.3	28.3	28.3
Contractual		402.5	402.5	402.5	402.5	402.5
Supplies		6.1	6.1	6.1	6.1	6.1
Equipment						
Land & Structures						
Grants & Claims		4,472.0	4,598.0	4,725.0	4,855.0	4,946.0
Miscellaneous						
TOTAL OPERATING	0.0	5,317.2	5,443.2	5,570.2	5,700.2	5,791.2

CAPITAL EXPENDITURES						
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CHANGE IN REVENUES (1054)		5,662.0	5,788.0	5,915.0	6,045.0	6,136.0
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FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF						
1005 GF/Program Receipts						
1037 GF/Mental Health						
1054 State Employment & Training		5,317.2	5,443.2	5,570.2	5,700.2	5,791.2
TOTAL	0.0	5,317.2	5,443.2	5,570.2	5,700.2	5,791.2

Estimate of any current year (FY2007) cost: None
Mark this box (X) if funding for this bill is included in the Governor's FY 2008 budget proposal:

POSITIONS

Full-time		4	4	4	4	4
Part-time						
Temporary						

ANALYSIS: (Attach a separate page if necessary)

This bill repeals the termination date for the State Training and Employment Program and makes the program permanent.

Prepared by: Corine Geldhof, Director Phone: 465-5937
Division: Business Partnerships Division Date/Time: 4/17/07 10:06 AM
Approved by: Click Bishop, Commissioner Date: 4/17/2007
Agency: Department of Labor and Workforce Development

Employment and Earnings of Existing STEP Participants in FY05 by Vendor
Four Quarters Before and After STEP Participation

Training Vendor	Industry	Number of Participants Served	Number Employed		Earnings		% Change in
			Before	After	Before	After	
Alaska Operating Engineers	Construction	448	442	433	23,666,049	26,612,802	12.5
Alaska Laborers Training Trust	Construction	323	319	312	10,267,093	13,830,548	34.7
Alaska Works Partnership (AWP)	Construction	168	166	160	4,880,787	6,688,434	37.0
Pacific Coast Maritime Consortium	Transportation	122	119	119	4,590,413	5,902,998	28.6
IBEW AK Joint Elec Apprentice	Construction	101	101	101	3,372,320	4,523,760	34.1
Center for Employment Education	Construction	96	95	95	2,717,720	3,681,844	35.5
Rural Alaska Fuel Services	Transportation	75	68	68	1,497,729	1,578,927	5.4
Rural AK Community Action Pgm	Education	69	68	67	1,131,434	1,293,011	14.3
Southern AK Carpenters Training Ctr	Construction	66	57	63	2,551,880	3,139,504	23.0
U of A Fairbanks Kuskokwim Campus	Education	62	60	59	1,014,951	997,575	-1.7
Bethel Native Corp Workers Academy	Technology	56	55	56	765,621	915,791	19.6
AVCP Regional Housing Authority	Construction	52	45	48	381,133	482,113	26.5
Alaska Trowel Trades	Construction	29	29	28	487,130	485,811	-0.3
Delta Mine Training Center	Construction	28	25	28	539,525	968,330	79.5
Fairbanks Carpenter Training Center	Construction	22	21	22	814,483	727,149	-10.7
Southwest Alaska Vocational Ed. Ctr.	Construction	20	17	16	195,816	317,959	62.4
Ak Roofers and Waterproofers Local 190	Construction	17	16	17	414,458	512,996	23.8
Piledrivers Local 2520 - Anchorage	Construction	15	12	14	336,642	615,913	83.0
Fairbanks Painters and Allied Trades	Construction	12	12	12	218,745	250,448	14.5
Northern Industrial Training, LLC	Transportation	12	10	11	91,805	337,756	267.9
Aleutia Inc.	Seafood	11	11	9	150,282	124,802	-17.0
Carlisle Transportation System	Transportation	11	10	11	278,160	456,143	64.0
U of A Southeast Ketchikan Campus	Construction	11	10	11	102,058	103,559	1.5

Training Vendors with ten (10) or more participants

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

Employment and Earnings of Exited STEP Participants in FY 05 by Place of Residence
Four Quarters Before and After STEP Participation

Place of Residence	Number of Participants	Number Employed		Earnings		% Change in Earnings
		Before	After	Before	After	
Aleutians East	28	23	23	354,207	601,611	69.80
Anchorage	350	333	334	11,194,565	14,004,974	25.10
Bethc'	126	117	119	1,714,082	1,888,840	10.20
Bristol Bay Borough	6	6	6	120,288	171,148	42.30
Denali	15	14	14	466,197	771,333	65.50
Dillingham	22	20	20	313,156	383,222	22.40
Fairbanks	350	339	331	12,293,413	15,688,154	27.60
Fairbanks Southeast	66	64	65	2,364,355	3,028,406	28.10
Haines	8	8	8	228,590	227,739	-0.40
Juneau	157	153	150	6,752,684	8,034,909	19.00
Kenai	100	97	96	3,505,302	3,975,786	13.40
Ketchikan	88	85	84	3,056,088	3,598,516	17.70
Kodiak	36	35	33	1,472,226	1,709,272	16.10
Lake and Peninsula	23	21	22	508,668	630,491	23.90
MatSu	181	176	175	7,441,236	8,982,059	20.70
Nome	28	28	28	548,526	574,419	4.70
North Slope Borough	3	3	3	Confidential	Confidential	158.10
Northwest Arctic Borough	10	10	9	213,803	234,659	9.80
POW - Outer Ketchikan	32	28	29	884,486	990,987	12.00
Sitka	12	12	10	304,182	305,378	0.40
Skagway - Angoon	8	7	8	131,315	204,426	55.70
Valdez - Cordova	69	64	65	2,614,548	3,328,455	27.30
Wade Hampton	110	107	107	1,598,005	1,754,228	9.80
Wrangell - Petersburg	28	28	28	696,310	929,955	33.60
Yakutat	2	2	2	Confidential	Confidential	-54.30
Yukon - Koyukuk	25	25	25	652,448	892,191	36.70
Unknown	5	4	3	Confidential	Confidential	-21.20
TOTAL	1,888	1,809	1,797	59,626,752	73,091,224	22.60

Confidential = Specific data is confidential but the amount is included in the total.

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

**Answers to Questions Regarding HB 226
House Labor and Commerce Committee Hearing
April 18, 2007**

Question 1: What is the individual training limit for the State Training and Employment Program (STEP)? Can an individual be trained under STEP more than once?

Answer 1: The individual training limit for STEP is \$20,000 every five years and individuals can receive training under STEP more than once. The STEP regulations at 8 AAC 87.090, Limitations on Services, identifies the individual training limit for STEP. As long as an individual has not exceeded the \$20,000 training limit within a five-year period they can receive STEP funding more than once.

Question 2: What percent of applicants were awarded grants each of the past several years? What dollar amount did the Department receive in applications in each of those years versus what were actually awarded?

Answer 2:

FY07 Grant Applications and Awards:

34 applications received, 15 awarded, 44% awarded

Total amount requested: \$6,787,392

Total amount awarded: \$2,479,644 (36.5% of the requested amount)

FY06 Grant Applications and Awards:

43 applications received, 24 awarded, 56% awarded

Total amount requested: \$9,692,055

Total amount awarded: \$3,340,340 (34.5% of the requested amount)

Question 3: Does the Department assist potential applicants in filling out their applications? What other technical assistance does the Department provide to potential applicants?

Answer 3: The Department does not complete STEP grant applications on behalf of the applicants. The Department does provide technical assistance and advice to applicants in several ways. During the grant solicitation, interested parties are offered the ability to ask specific questions regarding the Request for Grant Applications, which often includes a pre-application teleconference. Department staff answers these questions, which may include information on how certain parts of the application should be completed, such as the budget section. In the Notices of Grant Denial, technical assistance is offered on ways to improve their applications and in identifying alternative funding sources. The Department also receives inquiries throughout the year from parties interested in conducting training or which have training needs and works with those organizations to develop viable projects.

Question 4: How many Alaska apprentices are enrolled for each apprentice category, union versus nonunion?

Answer 4: This information has been requested from the U.S. Department of Labor, Office of Apprenticeship Training and will be provided when received.

Question 5: What amount do union and non-union entities spend on training of "their own" money?

Answer 5: Grantee Contributions can include cash match, in-kind goods and services, and leveraged funds. The contributions are specific to the training project for which they applied.

- In FY 06, unions were awarded \$1,732,430 and their grantee contribution was \$3,493,254. In FY 06 the non-union grantees were awarded \$1,607,910 and their grantee contribution was \$957,804.
- In FY 07, unions were awarded \$1,779,405 and their grantee contribution was \$3,158,069. In FY 07 the non-union grantees were awarded \$700,239 and their grantee contribution was \$1,074,529.

Question 6: Do administrative expenses exceed 20 percent?

Answer 6: No. Grantees are not subject to the 20% Administrative Cost limitation. The Department adopted for STEP the definition of Administrative Costs included in the Workforce Investment Act programs from the U.S. Department of Labor (see 8 AAC 87.180). Under that definition, all costs incurred by a grantee are considered program costs and include Training or Training Related Supportive Services. Therefore, the limitation on the amount of allowable administrative costs of AS 23.645 (e) applies to those costs incurred by the Department and other state agencies. The Department's administrative expenditures are consistently under the 20% cap.

Question 7: Are STEP funds used to train journeymen?

Answer 7: There are instances where incumbent workers, such as journeymen, require training to:

- update certifications,
- obtain new skills to keep up with technological changes, or
- an employer or a job requires a specific skill or certification.

8 AAC 87.120 (d) Participant Priority, identifies persons who lack skills or whose skills have been outdated by technological changes are eligible for training.

Question 8: Was STEP money used for a trip to Las Vegas for a trustee and spouse?

Answer 8: No, STEP did not pay for a trip to Las Vegas for a trustee and their spouse.

Question 9: Was STEP funding used to pay for an athletic club membership?

Answer 9: Alaska Works Partnership's Women in the Trades program encourages women participants to obtain physical conditioning, if appropriate, during their pre-apprenticeship training to make them more competitive in the apprentice selection process and to be able to meet job related physical requirements, such as the ability to pass physical fitness tests. Women participants are identified as one of STEP's priority populations per regulation 8 AAC 87.120 (b). The grantee negotiated a reduced rate for an athletic club membership for STEP participants. The details of the expenditure for the last two years are detailed below:

- FY07 STEP allocated \$3,600 for a reduced rate over 3 weeks at a cost of \$120 per week for 10 participants for a Physical Conditioning Program.
- FY06 STEP allocated \$11,520 at a reduced rate for 12 sessions at \$80 per session for 12 participants. The amount actually expended was \$729.

Question 10: Why do some high scoring grant applicants not get funded while some low scoring applications do? Is Division staff adjusting review committee scores?

Answer 10: The allegation that top performers do not get grants is a broad generalization that fails to take into account the requirements of the STEP program, and the responsibility of the department applying both legal standards and policies of the state in determining awards for priority training projects. For example, new applicants or those not familiar with the STEP occasionally are awarded grants at the discretion of the Department. Recently the Department exercised its authority and directed that a training grant be negotiated with Ocean Beauty Seafoods despite a review committee not recommending an award. The Commissioner recognized that \$55 million had been invested by the state in revitalizing the fishery industry and that Ocean Beauty Seafoods submitted a request for foreign labor worker certification. By funding this training, the Department supported the state's investment in the seafood industry, mitigated the need to hire foreign workers, and fulfilled the purpose of the STEP, which is to increase training opportunities to the state's workers to protect against fluctuations in the economy and to prepare for technological changes in the workplace.

In another instance, the review committee evaluated the Association of Village Council Presidents' application with a high rank. However, the same committee concluded that the investment would result in supplanting of funds. Staff reviewed the grant application and came to the same conclusion that the funds would supplant existing worker compensation. As a result, even though the proposal was favorably considered by the review committee, the Department could not enter into an agreement that would supplant existing funds as it is prohibited by statute.

It is the responsibility of Department staff to review the grant proposals against the criteria in the Request for Grant Applications and the statute. The review may consider past grant performance, the capacity of the entity to meet due diligence including financial viability, compliance with state laws, debarment and debts to the state, other factors that might increase the likelihood of funding a successful project, and the entity's capacity to negotiate an outcome based grant agreement in compliance with STEP goals and program intent. Based on this review, the staff recommends which entities the

Department should fund as part of a statewide distribution of all training funds for workforce investment. The Commissioner makes a final selection and awards the grant. This process requires the exercise of staff judgment in the application of both legal standards and policies of the agency.

At no time does staff adjust scores from the review committee. It is recognized throughout the process that the review team has no authority to allocate resources, as it is the sole responsibility of the agency to do so.

NOTE: Based on a review of the grant process requested by Commissioner Bishop, the grant process is being revised so that more due diligence review is occurring before grant applications are reviewed by the Grant Review Committee. See enclosed document, entitled "STEP Grants Request for Grant Applications (RGA) Process."

Question 11: Were eligibility criteria missing from individual files?

Answer 11: During FY 06, the Department conducted on-site monitoring of 14 STEP grantees. Of those monitored, 11 had the required documentation in their files to verify the eligibility of the participants. The three that did not maintain all of the required file documentation were required to correct the deficiency by obtaining all of the required documents. These monitoring findings were subsequently resolved. No participants were determined ineligible as a result of the on-site monitoring.

Question 12: How does the Department ensure the grantees are not using STEP funds to supplant existing training money?

Answer 13: Supplanting is an important issue to the Department. The Department relies on a multiple stage process to ensure STEP funds are not supplanted.

- In the first stage applicants are required to sign the grant application assuring that the responsible individual understands that supplanting is prohibited.
- For those proposals selected for award the Department completes a due diligence process that involves review of each grantee's financial status and requires the grantee to certify that supplanting will not occur.
- At the third stage the Department reviews the monthly invoices and back up documentation from the grantees and denies payment on items that are not allowed as part of the grant agreement.
- In the fourth stage the Department conducts on-site monitoring of grantees and asks for back up documentation. In the event of any findings the Department requires the grantee to correct any deficiencies or in the extreme requires the grantee to repay the state for questionable costs.

Question 13: In the last 4 years how many union/non-union STEP participants have been trained?

Answer 13:

FY 07: 666 union participants and 114 non-union participants (year-to-date)
FY 06: 1,372 union participants and 286 non-union participants
FY 05: 1,011 union participants and 732 non-union participants
FY 04: 906 union participants and 621 non-union participants

Prepared by the Alaska Department of Labor and Workforce Development,
April 21, 2007

Alaska Department of Labor and Workforce Development
Division of Business Partnerships
STATE TRAINING AND EMPLOYMENT PROGRAM (STEP) GRANTS
REQUEST FOR GRANT APPLICATIONS (RGA) PROCESS
April 2007

RGA Process

- Review boilerplates and revise, if necessary, to align with RGA
- Identify impacts desired and performance outcomes sought
- Draft of RGA approved
- Announcement and distribution of RGA
- Pre-Application Teleconference with potential applicants to respond to Questions (Q & A)
 - **Updated Procedure** – Pre-Application teleconference will include a discussion of updated grant application procedures and performance expectations
- Publish teleconference proceedings and Q & A
- Select independent review committee and prepare instructions
- Receive applications
- Division review of application responsiveness to the RGA
 - **Updated Procedure** – Assure applicants' responsiveness to the RGA requirements and complete new or update existing due diligence on all applications (currently due diligence is done upon notification of intent to award)
 - **Updated Procedure** – Past performance assessment – Applicants that are prior grantees will have their past performance assessed with more scrutiny
- Review Committee Meeting, Application Evaluation
 - **Updated procedure** – Grant Review Committee performs qualitative review of applications.
 - **Updated Procedure** -Division staff review applications for allocation of STEP funds as part of statewide distribution of the Department's training funding for workforce investment.
- Award recommendations to Director and Commissioner based on committee evaluation and division staff allocation recommendations
- Commissioner approves the final awards
- Letters of Notice of Intent to Award and Notice of Denial issued
- Respond to denial inquiries
- Appeals – must be submitted within 10 calendar days of date of Notices of Intent to Award and Denial – appeals are decided within 14 calendar days of receipt
- Issue press release
- Notify Technical Unit for input to Management Information System (MIS)
- Provide technical assistance upon request to non-awardees to improve future applications

Alaska Department of Labor and Workforce Development
Division of Business Partnerships
STATE TRAINING AND EMPLOYMENT PROGRAM (STEP)
GRANT NEGOTIATIONS
April 2007

- Negotiation Areas
 - Project activities
 - Location of training
 - Training timelines and schedule
 - Target population
 - Number to be served
 - Performance measures, method of measurement, targets, products
 - Budget
 - Fund sources
 - Cost categories (e.g. training versus support services)
 - Budget line items (e.g., personnel, travel, contractual, etc.)
 - Matching, in-kind contribution or leveraged funds
 - Reasonableness of costs (value) and specific cost items
 - Consistency with other grants
 - Reporting requirements (content, format and frequency)
 - Period of performance
 - Data collection and input decision (who inputs) and timeliness
 - Advance payments

Alaska Department of Labor and Workforce Development
 Fiscal Year 2006 State Training and Employment Program (STEP) Expenditures

April 5, 2007

STEP FY 2006 Authorization		6,614,700
Grants to training vendors	3,406,456	
Reimbursable Service Agreement, (RSA), for services provided by the Employment Training & Services component in DOLWD for Individual Training Accounts.	849,507	
RSA to provide match funding for the federal funding received by DOLWD for the Work Services Program and the Senior Community Service Employment Program (STEP match for these programs was designated by the Legislature in the FY 06 budget).	207,132	
Training Funds		4,463,094
RSA for services provided by the Unemployment Insurance, (UI), component in DOLWD associated with the collection of revenue for the STEP program. This is a shared cost paid by the STEP program as required in a federally negotiated cost allocation plan.	111,745	
RSA for services provided by the Data Processing component in DOLWD to provide support and maintenance to the computer applications used by the UI component associated with the collection of revenue for the STEP program.	50,132	
Revenue Collection Costs		161,877
Workforce Investment Board operations support	48,000	
STEP program administrative costs	532,682	
STEP Program Support Costs		580,682
RSA for services provided by the Research and Analysis Section in DOLWD to support data collection for the occupational database which is used to track STEP participants and provide information for the STEP annual report.	152,500	
Research and Performance Monitoring Costs		152,500
Unused STEP funds retained for FY 07 STEP Activities		1,256,547

**Alaska Department of Labor and Workforce Development
Division of Business Partnerships
STATE TRAINING AND EMPLOYMENT PROGRAM (STEP) GRANTS
REQUEST FOR GRANT APPLICATIONS (RGA) PROCESS**

RGA Process

- Review boilerplates and revise, if necessary, to align with RGA
- Identify impacts desired and performance outcomes sought
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- Receive applications
- Division review of application responsiveness to the RGA
 - **Updated Procedure** – Assure applicants' responsiveness to the RGA requirements and complete or update due diligence on all applications (currently due diligence is done after the grant is awarded)
 - **Updated Procedure** – Past performance assessment – Applicants that are prior grantees will have their past performance assessed with more scrutiny
- Review Committee Meeting, Application Evaluation
 - **Updated procedure** – Committee scope of authority limited to evaluating applications in accordance with instructions provided by the Division
 - **Updated Procedure** -Division staff review applications for allocation of STEP funds as part of statewide distribution of the Department's training funding for workforce investment
- Award recommendations to Director and Commissioner based on committee evaluation and division staff allocation recommendations
- Commissioner approves the final awards
- Letters of Notice of Intent to Award and Notice of Denial issued
- Respond to denial inquiries
- Appeals – must be submitted within 10 calendar days of date of Notices of Intent to Award and Denial – appeals are decided within 14 calendar days of receipt
- Issue press release
- Notify Technical Unit for input to Management Information System (MIS)

- Provide technical assistance to non-awardees to improve future applications

**Alaska Department of Labor and Workforce Development
Division of Business Partnerships
STATE TRAINING AND EMPLOYMENT PROGRAM (STEP)**

GRANT NEGOTIATIONS

- Negotiation Areas
 - Project activities
 - Location of training
 - Training timelines and schedule
 - Target population
 - Number to be served
 - Performance measures, method of measurement, targets, products
 - Budget
 - Fund sources
 - Cost categories (e.g. training versus support services)
 - Budget line items (e.g., personnel, travel, contractual, etc.)
 - Matching, in-kind contribution or leveraged funds
 - Reasonableness of costs (value) and specific cost items
 - Consistency with other grants
 - Reporting requirements (content, format and frequency)
 - Period of performance
 - Data collection and input decision (who inputs) and timeliness
 - Advance payments

**DIVISION OF BUSINESS PARTNERSHIPS
ALASKA DEPARTMENT OF LABOR AND WORKFORCE DEVELOPMENT
State Training and Employment Program (STEP)**

**DIVISION OF BUSINESS PARTNERSHIPS
ALASKA DEPARTMENT OF LABOR AND WORKFORCE DEVELOPMENT
State Training & Employment Program (STEP)**

**Success Story
Southwest and Western Alaska**

Clinton, an resident raised in Nondalton, was hired by Northern Dynasty last spring to participate in training supported by a STEP grant from the Alaska Department of Labor and Workforce Development. The STEP grant was a partnership between Northern Dynasty, Inc., Mining and Petroleum Services (MAPS), and the Bristol Bay Campus, UAF. Clinton was one of twelve participants who received Mine Safety and Health Administration (MSHA) training. Clinton continued with on the job training to become a driller's helper. According to the acting foremen on the job, "Clinton is a really hard worker and a quick learner. He has helped out with drilling during many long hours."

**DIVISION OF BUSINESS PARTNERSHIPS
ALASKA DEPARTMENT OF LABOR AND WORKFORCE DEVELOPMENT
State Training and Employment Program (STEP)**

**DIVISION OF BUSINESS PARTNERSHIPS
ALASKA DEPARTMENT OF LABOR AND WORKFORCE DEVELOPMENT
State Training & Employment Program (STEP)**

**Success Story
Statewide Services**

When Garry first came to an Alaska Job Center in Anchorage he was working in a temporary position as a laborer making between \$8 and \$10 per hour. He requested funding to attend University of Alaska Anchorage to obtain his Associates of Arts and Sciences in Medical Lab Technology. He already had some college credits that would transfer. Garry did not qualify for a Pell grant, but was determined eligible for STEP services. He was an excellent student, averaging a 3.30 GPA while working evenings and weekends at the Blood Bank to support himself. Within the last week, Garry informed his case manager that he got a full-time, permanent position with South Central Foundation and will starting work as a medical lab technician. He did not state how much he would be making, but his employment research shows starting wages for similar positions range between \$15 to \$17 per hour.

**DIVISION OF BUSINESS PARTNERSHIPS
ALASKA DEPARTMENT OF LABOR AND WORKFORCE DEVELOPMENT
State Training and Employment Program (STEP)**

**DIVISION OF BUSINESS PARTNERSHIPS
ALASKA DEPARTMENT OF LABOR AND WORKFORCE DEVELOPMENT
State Training & Employment Program (STEP)**

**Success Story
South Central Alaska**

Jon had dropped out of high school after completing the 10th grade. He had a seasonal work history in the fishing industry and needed training to be employed full-time in the maritime field. With STEP funding, he completed courses at the Alaska Vocational Technical Center (AVTEC) in Seward, including Safe Food Handling, Basic Safety Training, Basic Engineering Indoctrination Topics, Deck Indoctrination Topics, Proficiency in Survival Craft, and Tankship Dangerous Liquids. At the completion of the training he was interviewed by Polar Tanker, Inc., and selected for a six-month on-the-job training (OJT). Jon completed his OJT in February and has become a full-time permanent employee of Polar Tankers, Inc. He was requested to complete his GED prior to beginning his training, which he did within three months.

**DIVISION OF BUSINESS PARTNERSHIPS
ALASKA DEPARTMENT OF LABOR AND WORKFORCE DEVELOPMENT
State Training and Employment Program (STEP)**

**DIVISION OF BUSINESS PARTNERSHIPS
ALASKA DEPARTMENT OF LABOR AND WORKFORCE DEVELOPMENT
State Training & Employment Program (STEP)**

**Success Story
Interior and Northern Alaska**

Amy is now starting her third year as a carpenter apprentice in Fairbanks and has received training through a STEP grant to the Carpenters Local 1243. The union reports Amy has done very well in her class, has high scores, is productive and very interested in succeeding in her career, asks many questions of her instructors, and developed a strong work ethic. The union reports Amy's monthly hours evaluations have many positive comments, and would be recommended for employment with any of their contractors. As a whole, Amy has leadership qualities and is an asset to the union.

**DIVISION OF BUSINESS PARTNERSHIPS
ALASKA DEPARTMENT OF LABOR AND WORKFORCE DEVELOPMENT
State Training and Employment Program (STEP)**

**DIVISION OF BUSINESS PARTNERSHIPS
ALASKA DEPARTMENT OF LABOR AND WORKFORCE DEVELOPMENT
State Training & Employment Program (STEP)**

**Success Story
Southeast Alaska**

Robin completed two classes under the 2006 University of Alaska Southeast -- Ketchikan/Alaska Ship and Drydock STEP grant: a 40 Hour Hazwoper Training Course and the Shipyard Competent Person Training. Robin received three raises of 50 cents per hour each either during or shortly after completing training. Robin has made very good progress in the Alaska Ship and Drydock and is now a top performer in the Corrosion Control program. His employer reports Robin's strong work ethic and capacity for learning new knowledge, skills, and abilities qualifies him as a top candidate for additional training. A goal of the Alaska Ship and Drydock is to develop a stable workforce, which in shipbuilding and repair is a multi-skilled workforce. Robin has all of the attributes required to become a multi-skilled shipbuilder and repairer.



ASSOCIATED GENERAL CONTRACTORS of ALASKA

8005 SCHOON STREET, SUITE 100 • ANCHORAGE, ALASKA 99518
TELEPHONE (907) 561-5354 • FAX (907) 562-6118

April 27, 2007

Representatives Mike Chenault and Kevin Meyer
Alaska State Legislature
State Capitol (MS 3100)
Juneau, Alaska 99801-1182

Re: CS for HB 226

VIA E-MAIL

Dear Representatives Chenault and Meyer:

As Alaska looks to the future, one of the challenging issues confronting the State concerns providing training today for the workforce of tomorrow. Alaska needs training providers that can furnish that training so Alaskans can enjoy the economic benefits that accrue from well paying jobs available to trained workers. If Alaskans aren't trained and available when the opportunities present themselves, many of the best jobs will go to non-residents because Alaskans do not have the required skills.

One of the advantages to the STEP program is that the money comes from Alaskan workers and is intended to focus on improving workers skills. Since its inception in 1989, it has been the one program dedicated to improving the quality of Alaska workforce.

CS for HB226 will provide money to selected training providers to assure that Alaskans can receive the required training in Alaska for the jobs that exist in Alaska. AGC of Alaska supports CS for HB226 and encourages passage.

Sincerely

Richard Cattanaach, Executive Director

FAIRBANKS
P.O. BOX 6005 • FAIRBANKS, AK 99706
TELEPHONE (907) 452-1809

HB

226

SFIN

FILE

SENATE FINANCE COMMITTEE REPORT

DATE: 2/13/08

FURTHER:

DATE TURNED
IN TO OFFICE: _____

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

HB 226 REPEAL TERMINATION OF STEP PROGRAM

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

and recommends:

CS HB 226 (FIN)

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

SENATE BILL:
 Same Title
 New Title

HOUSE BILL:
 Same Title
 Technical Title Change
 New Title w/ SCR # _____

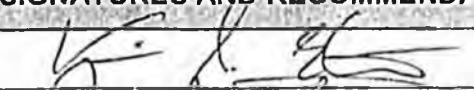
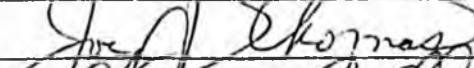
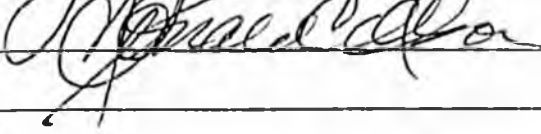
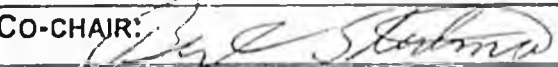
NEW FISCAL NOTE(S):

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

PREVIOUS FISCAL NOTE(S):

Department	Date	Fiscal	Indet.	Zero	FN#

APPROPRIATION - no fiscal note

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

adopted
4-11-08

25-LS0778L
Wayne
4/9/08

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

BY THE SENATE FINANCE COMMITTEE

Offered:
Referred:

Sponsor(s): REPRESENTATIVES COGHILL, Gardner, Doll

A BILL

FOR AN ACT ENTITLED

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

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

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

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

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

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

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

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

ALASKA STATE HOUSE OF REPRESENTATIVES

2/22/08

Contact:

Interim Address:

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



Session

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

REPRESENTATIVE JOHN COGHILL*

Sponsor Statement State Training and Employment Program (STEP)

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

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

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

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

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

FISCAL NOTE

STATE OF ALASKA
2008 LEGISLATIVE SESSION

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

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

Expenditures/Revenues (Thousands of Dollars)

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

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

CAPITAL EXPENDITURES							
-----------------------------	--	--	--	--	--	--	--

CHANGE IN REVENUES (1054)							
------------------------------------	--	--	--	--	--	--	--

FUND SOURCE (Thousands of Dollars)

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

Estimate of any current year (FY2008) cost: None

POSITIONS

Full-time		3	3				
Part-time							
Temporary							

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

See attached.

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

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

FISCAL NOTE

STATE OF ALASKA
2008 LEGISLATIVE SESSION

BILL NO. SCS CSHB 226(FIN)

ANALYSIS CONTINUATION

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

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

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

FISCAL NOTE

STATE OF ALASKA
2008 LEGISLATIVE SESSION

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

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

Expenditures/Revenues (Thousands of Dollars)

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

	Appropriation Required	Information						
		FY 2009	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014
OPERATING EXPENDITURES								
Personal Services			429.7	429.7				
Travel			28.3	28.3				
Contractual			402.5	402.5				
Supplies			6.1	6.1				
Equipment								
Land & Structures								
Grants & Claims			4,811.5	4,811.5				
Miscellaneous								
TOTAL OPERATING		0.0	5,678.1	5,678.1	0.0	0.0	0.0	0.0

CAPITAL EXPENDITURES							
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CHANGE IN REVENUES (1054)		6,035.0	6,035.0				
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FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts							
1003 GF Match							
1004 GF							
1005 GF/Program Receipts							
1037 GF/Mental Health							
1054 State Training and Employment			5,678.1	5,678.1			
TOTAL		0.0	5,678.1	5,678.1	0.0	0.0	0.0

Estimate of any current year (FY2008) cost: None

POSITIONS

Full-time		4	4				
Part-time							
Temporary							

ANALYSIS: (Attach a separate page if necessary)

See attached.

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

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

FISCAL NOTE

STATE OF ALASKA
2008 LEGISLATIVE SESSION

BILL NO. SCS CSHB 226(FIN)

ANALYSIS CONTINUATION

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

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

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

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

DEPARTMENT OF LABOR AND WORKFORCE DEVELOPMENT

OFFICE OF THE COMMISSIONER

Sarah Palin, Governor

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

PHONE: (907) 465-2700
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February 26, 2008

cc Darwin
Miles

RECEIVED

FEB 26 2008

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

COPY

Dear Senator Stedman:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Conclusion 3. Requirement to reimburse department not actively enforced.

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

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

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

Conclusion 5. Administrative costs exceed maximums defined in statute.

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

The Honorable Bert Stedman
February 26, 2008
Page 4

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

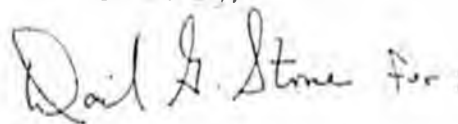
The State Training and Employment Program has demonstrated its success in training Alaska workers for 19 years, during which time it has served over 23 thousand Alaskans. Each year the program is evaluated for outcomes, and the following are some highlights from our most recent performance review (FY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

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

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

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

Sincerely,

A handwritten signature in dark ink that reads "Clark Bishop" followed by a small flourish.

Clark Bishop
Commissioner

cc: All Members of Senate Finance

2/22/08

DEPARTMENT OF LABOR AND WORKFORCE DEVELOPMENT
OFFICE OF THE COMMISSIONER

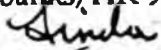
Sarah Palin, Governor

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

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February 6, 2008

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



Dear Ms. Hulbert:

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

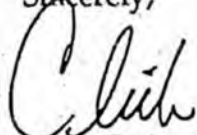
Within the last year, the Department undertook actions to make improvements in the administration of the STEP. As a continuation of this effort, I am inviting you to participate in a TASK FORCE, the purpose of which will be to review and assess the priorities of STEP, the Department's administration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

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

Ms. Linda Hulbert
February 6, 2008
Page 2

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

Sincerely,

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

Clark Bishop
Commissioner

2/22/08

DEPARTMENT OF LABOR AND WORKFORCE DEVELOPMENT
OFFICE OF THE COMMISSIONER

Sarah Palin, Governor

P. O. Box 111149
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February 5, 2008

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

Re: Questions Related to HB 226

Dear Senator ^{CON}Bunde:

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

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

Sincerely,



Clark Bishop
Commissioner

Enclosure

cc: Senator Johnny Ellis

Alaska Department of Labor and Workforce Development

Division of Business Partnerships

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

February 5, 2008

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

RESPONSE:

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

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

RESPONSE:

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

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

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

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

REPOSE:

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

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

4. Were any discretionary grants awarded this year?

RESPONSE: No.

2/22/08

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

Prepared by:
STEP Staff

Alaska Department of Labor and Workforce Development
Division of Business Partnerships

February 2008

FINANCIAL REVIEW FOR FY06

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

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

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

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

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

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

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

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

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

Commissioner Click Bishop
STEP Annual Report

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

Brynn Keith, Chief
Research and Analysis

Prepared by:
Michael Patton, Economist

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

February 2008

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

HIGHLIGHTS

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

OVERVIEW

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

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

MEASURING PERFORMANCE

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

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

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

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

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

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

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

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

²¹Data not currently maintained by the Division of Business Partnerships.

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

THE SUCCESS OF STEP

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

Exhibit 2				
Participants Exiting STEP and Other Alaska Training Programs in FY06 Employment and Median Earnings 12 Months Following Exit				
Program	Number of Participants	Number Employed	Percent Employed	Median Earnings
STEP	1,747	1,649	94.4	39,428
Adult*	531	423	79.7	17,358
Dislocated Worker*	562	401	71.4	24,052
Youth*	499	349	69.9	3,733
AVTEC	893	758	84.9	17,835
Fish Emergency Grant	310	181	58.4	14,404
UA Voc Ed	5,419	3,860	71.2	20,667
TAA	58	37	63.8	13,453
AKTECH	105	79	75.2	10,721
Cari Perkins Secondary	2,116	1,695	80.1	7,176
Carl Perkins Postsecondary	6,580	5,171	78.6	17,221
Adult Basic Education	730	518	71.0	6,239
Denali Training Fund	388	346	89.2	11,983
High Growth Initiative	327	280	85.6	30,130
SAVEC	62	58	93.5	11,641
Ilisagvik	391	341	87.2	31,298
Galena	5	3	60.0	4,651
Yuut Elitnaurviat	26	24	92.3	17,875
* Federal Workforce Investment Act Programs				
Note: Exiting participants are counted once each fiscal year.				
Source: Alaska Department of Labor and Workforce Development, Research and Analysis Section, "Training Program Performance-2006."				

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

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

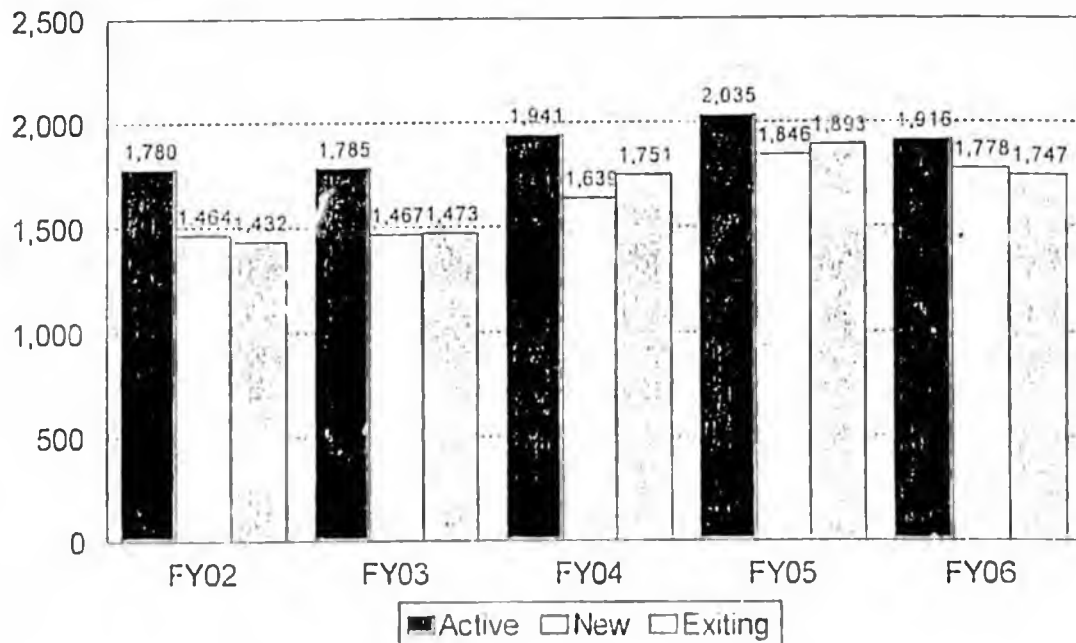
participants exiting in FY03, a program specifically designed to train local residents to maintain local public infrastructure. FY03 exiting STEP participants earned \$15.8 million in wage and salary employment in FY07.

NUMBER OF ACTIVE STEP PARTICIPANTS EXCEEDS 1,900 IN FY06

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

Exhibit 3

Alaska STEP Participants FY02-FY06



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