

ALASKA LEGISLATURE COMMITTEE FILES, 1989-1990 8672

6213 SENATE COMMUNITY & REGIONAL AFFAIRS

617

Bob Evans, Legislative Liaison  
Office of the Governor  
663-88-0410

April 26, 1988  
Page #2

in Alaska holding that it is mandatory for these resources to be included in property assessment. However, it is the opinion of this office that "in place" natural resources may correctly be included in the full value determination of a municipality under AS 29.45.110(a) and that the Alaska Supreme Court would support this opinion.

Looking to other states' court opinions and treatise law, it is generally held that the right to tax is purely of statutory creation, and practically all of the authorities are to the effect that assessors, in valuing property, may take into consideration the fact that property contains undeveloped minerals in such quantity as to enhance the value of the land over its mere surface value. See 2 A.L.R. 1550-1553 and cases cited therein. It has also been held that minerals in place are not rendered nontaxable merely because of lack of legislative method and regulation for determining their value. Greene County v. Lattas Creek Coal Co., 100 N.E. 561 (Ind. 1913); 72 Am.Jur.2d State and Local Taxation § 764.

There is case law supporting the view that assessors are required to value for taxation all real property according to its market value. Under those decisions, value is measured by all the circumstances and advantages that tend to enhance it, of which underlying minerals, if accessible, are most important items, so that they must necessarily be included in the valuation. See, e.g., Logan v. Washington County, 29 Pa. 373, 14 Mor. Min. Rep. 108 (Penn. 1857). Any element of value tending to affect selling price "may" be taken into consideration by the assessor in arriving at a proper valuation for assessment purposes. Washington County v. Marquis, 82 Atl. 756 (Penn. 1912). The decisions of the courts in these two cases appear to have been based upon statutes similar in wording to AS 29.45.110(a).

Of main import, is that none of the authorities we found held for the premise that liability attaches to the state or local taxing entity for failure to include "in place" natural resources in their assessments. The authorities we found were based upon cases where a taxpayer was challenging the authority of the taxing jurisdiction to include the value of "in place" natural resources in the assessment of their property.

Furthermore, we found no cases holding that local or state assessors are required to search out "in place" natural resources in order to include them in the assessment of property. The cases mainly hold that it is correct for assessors to take into consideration all "facts" directly affecting the value. It is our opinion that this general rule concerns facts which affect

of deprivation of due process or equal protection against the state must fail. The Alaska Supreme Court recently ruled that a municipality is not a "person" and therefore may not assert due process or equal protection claims against its creator, the state. Kenai Peninsula Borough v. State, \_\_\_ P.2d \_\_\_, Op. No. 3277 (Alaska, Mar. 4, 1988).

If the state changes its application of AS 29.45.110-(a), rules of contemporaneous construction generally hold that a reversal in interpretation of a statute by the administering agency will be applied only prospectively. 2A N. Singer, Sutherland Statutory Construction § 49.05, (4th ed. 1984 rev.) (hereafter "Sutherland"). In other words, if the state reverses its interpretation and administration of AS 29.45.100(a) requiring municipalities to assess "in place" natural resources in their determinations of full value, the state's new interpretation most likely will apply only to future years; not retroactively.

We note that there is caselaw in other states supporting the following viewpoint:

the mere failure of public officers charged with the duty to enforce statutory and constitutional provisions in respect to the levy and collection of taxes, or the acquiescence of public officers in conditions that exempted certain property from taxation, should not be permitted to stand in the way of the "correct" administration of the law, or be construed to estop more diligent and efficient public officers when they attempt to perform their duty by bringing in to the revenue proper subjects of taxation that had theretofore been allowed to escape the payment of taxes.

Sutherland § 49.05 (citing Louisville v. Board of Education, 154 S.W. 379, 380-381 (Ky. 1913)).

Based upon the above viewpoint, we believe that the present state assessor has correctly pointed out that "in place" natural resources may be included in municipal assessments, and properly should be included. However, as noted above, it is the opinion of this office that no liability attaches to the state for failure to insist on the assessment of these resources at this time.

3. Is it your opinion that this exemption from municipal resources is necessary?

Bob Evans, Legislative Liaison  
Office of the Governor  
663-88-0410

April 26, 1988  
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Probably yes, for the main purpose of addressing the issue and clarifying the state's application and interpretation of AS 29.45.110(a). We do not believe any retroactive liability will attach if the state does not immediately provide for this exemption in the law. Additionally, the state may wish to consider whether it wants to make the exemption of "in place" natural resources from municipal taxation mandatory upon the municipalities or whether to allow municipalities the option of providing for the exemption of these resources from taxation.

We hope this addresses your concerns. Please do not hesitate to contact us if you need further assistance on this matter.

MLO/pig

29.45.100

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§ 29.45.103

MUNICIPAL GOVERNMENT

§ 29.45.110

**Sec. 29.45.103. Taxation records.** (a) Municipal records dealing with assessment, valuation or taxation may be inspected by the State Assessor or a designee.

(b) If a municipality's assessment and valuation has been done by a private contractor, records concerning the municipality's valuation and assessment shall be made available to the State Assessor or a designee on request. (§ 12 ch 74 SLA 1985)

**Sec. 29.45.105. Errors in taxation procedures.** (a) If a municipality receives a notice from the State Assessor that major errors have been found in its assessment, valuation or taxation procedures, the municipality shall correct its procedures before the beginning of the next fiscal year or file an appeal under (b) of this section.

(b) A municipality may appeal a notice from the State Assessor that it has made a major error in assessment, valuation or taxation procedures by filing an appeal with the commissioner within 30 days after receipt of notice of error.

(c) The commissioner, after consulting with the Alaska Association of Assessing Officers, shall render a decision within 60 days after the receipt of a request under (b) of this section. If the commissioner determines that a major error has been made in assessment, valuation or taxation procedures the commissioner shall notify the municipality of changes that must be made and the municipality shall correct its procedures before the beginning of the next fiscal year.

(d) If errors in its assessment, valuation or taxation procedures have resulted in a loss of revenue to the state, the municipality shall reimburse the state for the amount of revenues lost. (§ 12 ch 74 SLA 1985)

**Sec. 29.45.110. Full and true value.** (a) The assessor shall assess property at its full and true value as of January 1 of the assessment year, except as provided in this section, AS 29.45.060, and 29.45.230. The full and true value is the estimated price that the property would bring in an open market and under the then prevailing market conditions in a sale between a willing seller and a willing buyer both conversant with the property and with prevailing general price levels.

(b) Assessment of business inventories may be based on the average monthly method of assessment rather than the value existing on January 1. The method used to assess business inventories shall be prescribed by the governing body.

(c) In the case of cessation of business during the tax year, the municipality may provide for reassessment of business inventories using the average monthly method of assessment for the tax year rather than the value existing on January 1 of the tax year, and for reduction and refund of taxes. In enacting an ordinance authorized by

this section, the municipality may prescribe procedures, restrictions, and conditions of assessing or reassessing business inventories and of remitting or refunding taxes. (§ 12 ch 74 SLA 1985)

**Opinions of attorney general.** — Valuation of boats and vessels on the basis of registered or certified tonnage rather than full and true value does not limit the

application of the full and true value as to boats and vessels. 1962 Op. Att'y Gen. No. 18, decided under former, similar law.

NOTES TO DECISIONS

**Editor's notes.** — The cases cited in the notes below were decided under former, similar provisions.

The equal protection clause does not compel the adoption of an iron rule of equal taxation. *Hoblit v. Greater Anchorage Area Borough*, Sup. Ct. Op. No. 636 (File No. 1214), 473 P.2d 630 (1970).

The equal protection clause does not prohibit inequality in taxation which is not shown to be the result of an intentional or systematic undervaluation of some but not all of the taxed property in a single class. *Hoblit v. Greater Anchorage Area Borough*, Sup. Ct. Op. No. 636 (File No. 1214), 473 P.2d 630 (1970).

And it does not forbid differences in tax burdens founded upon substantial and reasonable differences between the objects taxed. *Hoblit v. Greater Anchorage Area Borough*, Sup. Ct. Op. No. 636 (File No. 1214), 473 P.2d 630 (1970).

A borough has discretion to appraise by whatever recognized method of valuation it chooses, so long as there is no fraud or clear adoption of a fundamentally wrong principle of valuation. *Hoblit v. Greater Anchorage Area Borough*, Sup. Ct. Op. No. 636 (File No. 1214), 473 P.2d 630 (1970).

Income from property is not sole standard of value. — Although the income from property may be a legitimate factor to consider in fixing value for tax purposes, it is not the sole standard to apply. *Twentieth Century Inv. Co. v. City of Juneau*, Sup. Ct. Op. No. 42 (File No. 42), 359 P.2d 783 (1961).

**Computing reconstruction cost and depreciation of dissimilar buildings.** — Where two buildings are dissimilar in size, age, and basic construction, it would be entirely reasonable for the assessor to use different factors in computing reconstruction cost and depreciation, and thus achieve substantial equality and fair equivalence. *Hoblit v. Greater Anchorage*

*Area Borough*, Sup. Ct. Op. No. 636 (File No. 1214), 473 P.2d 630 (1970).

Differences in construction materials between given structures are obvious distinctions sufficient to warrant the difference in treatment accorded by the assessor, and to nullify the charge that his actions were arbitrary and resulted in a lack of uniformity. *Hoblit v. Greater Anchorage Area Borough*, Sup. Ct. Op. No. 636 (File No. 1214), 473 P.2d 630 (1970).

Assessor is empowered to reduce assessments in later years where the results of disasters have reduced market value. *Hoblit v. Greater Anchorage Area Borough*, Sup. Ct. Op. No. 636 (File No. 1214), 473 P.2d 630 (1970).

The borough assessor had the power to grant earthquake decrements. *Hoblit v. Greater Anchorage Area Borough*, Sup. Ct. Op. No. 636 (File No. 1214), 473 P.2d 630 (1970).

Property was not entitled to an earthquake decrement for tax assessment purposes where there was an absence of evidence indicating that its market value was reduced. *Hoblit v. Greater Anchorage Area Borough*, Sup. Ct. Op. No. 636 (File No. 1214), 473 P.2d 630 (1970).

**Statutory deadlines are directory.** — Statutory deadlines for assessment of taxes, setting of mill levy, and mailing of tax statements should be construed as directory; and a city's failure to meet such statutory deadlines does not automatically invalidate its decisions. *City of Yakutat v. Ryman*, Sup. Ct. Op. No. 2581 (File Nos. 6033, 6099), 654 P.2d 785 (1982).

**Burden of proof.** — When a taxpayer establishes a violation of "directory" procedures regarding assessment of taxes, setting of mill levy, and mailing of tax statements, the burden should be on the taxing authority to demonstrate substantial compliance with requirements and purposes of the statute; but once a show-

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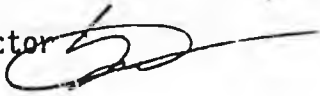
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# Alaska MUNICIPAL League

TELEPHONE  
(907) 586-1325  
FAX 463-5480

217 SECOND STREET, SUITE 200  
JUNEAU, ALASKA 99801

TO: Senator Al Adams, Chair  
Members of the Senate Community and Regional Affairs Committee

FROM: Scott A. Burgess, Executive Director 

DATE: February 28, 1989

SUBJECT: SB 181 - Municipal Property Tax Exemption for In Place Resources

The Alaska Municipal League supports SB 181. Recognizing the significance of the issue of municipalities imposing or not imposing a property tax on natural resources in place, the AML membership passed Resolution No. 89 - 21 (attached) at the annual business meeting in November 1988. After further analysis, the AML Board of Directors added the legislative resolution of the concern raised by the Department of Community and Regional Affairs earlier this year to its 1989 legislative priorities outlined in the AML Municipal Platform. SB 181 reflects the approach supported by the AML and the AML urges passage by the Legislature.

As outlined in AML Resolution No. 89 - 21, municipalities and the State of Alaska are required by law to include the values of natural resources in place (e.g. minerals, timber etc.) on local assessment rolls and in the full value determination, respectively, for purposes of taxation. Neither does because neither has the staff or fiscal resources to value the resources, and the inclusion of values for those resources would likely have a negative impact on residential property and on municipalities under the state revenue sharing and education funding formulas. Exempting the resources from property tax would recognize the difficulty of taxing natural resources in place and the status quo.

However, given the decline in state aid to municipalities and the increasing demand to provide additional local services with local tax dollars, limiting a potential tax base should be approached with caution. When the issue of taxing in place resources was raised earlier this year, the Department of Community and Regional Affairs stimulated significant discussion and debate around the State, especially among the municipalities and with the Department of Revenue. SB 181 calls for a temporary, two-year property tax exemption on natural resources in place to recognize the status quo, and it also calls for a study by the Department of Community and Regional Affairs to compare the potential effects of total exemption, partial exemption, no exemption and optional exemption. In conducting the study, DC&RA will consult with the Department of Revenue and the AML. The approach outlined in SB 181 with a temporary exemption and a study will take care of the immediate situation and provide for more understanding of the issue, a discussion of alternatives, and the development of a consensus on a long-term or permanent solution.

AML Testimony on SB 181  
February 28, 1989  
Page 2

In order to meet the legislative session and to adequately prepare for changes in the assessment process, the AML would request one amendment to the legislation:

Amend Sec. 3, page 2, line 1 as follows:

"This Act is repealed July 1, 1991 [January 1, 1992]."

This would provide adequate time for the study to develop recommended long-term legislative solutions ( two years) and for the legislature to act. Assessment roles are determined as of January 1st of each year; therefore, in order for the municipality to add property to the assessment rolls if required by legislation passed in 1991 session and to assess in 1992, the assessors would have to do their work during the summer and fall of 1991 and have the property on the rolls by January 1, 1992.

Finally, the AML wants clarification either in testimony or in legislation that municipalities have the authority under law to place a severance tax on natural resources whether or not natural resources in place are exempt from property tax.

Again, the AML supports SB 181 as a legislative priority of municipalities across the State.

Attachment

## FISCAL NOTE

**REQUEST:**

Revision Date: \_\_\_\_\_  
 Title: Relating to the State Board of Education  
 Sponsor: Senate HESS  
 Requestor: Senate HESS

Agency Affected: Education  
 BRU: Executive Administration  
 Components: Executive Administration

**EXPENDITURES/REVENUES:** (Thousands of Dollars)

| OPERATING              | FY 89 | FY 90 | FY 91 | FY 92 | FY 93 | FY 94 |
|------------------------|-------|-------|-------|-------|-------|-------|
| PERSONAL SERVICES      |       |       |       |       |       |       |
| TRAVEL                 |       |       |       |       |       |       |
| CONTRACTUAL            |       |       |       |       |       |       |
| SUPPLIES               |       |       |       |       |       |       |
| EQUIPMENT              |       |       |       |       |       |       |
| LAND & STRUCTURES      |       |       |       |       |       |       |
| GRANTS, CLAIMS         |       |       |       |       |       |       |
| MISCELLANEOUS          |       |       |       |       |       |       |
| <b>TOTAL OPERATING</b> | -0-   | -0-   | -0-   | -0-   | -0-   | -0-   |
| <b>CAPITAL</b>         |       |       |       |       |       |       |
| <b>REVENUE</b>         |       |       |       |       |       |       |

**FUNDING:** (Thousands of Dollars)

|               |     |     |     |     |     |     |
|---------------|-----|-----|-----|-----|-----|-----|
| GENERAL FUND  | -0- | -0- | -0- | -0- | -0- | -0- |
| FEDERAL FUNDS |     |     |     |     |     |     |
| OTHER         |     |     |     |     |     |     |
| <b>TOTAL</b>  |     |     |     |     |     |     |

**POSITIONS:**

|           |  |  |  |  |  |  |
|-----------|--|--|--|--|--|--|
| FULL-TIME |  |  |  |  |  |  |
| PART-TIME |  |  |  |  |  |  |
| TEMPORARY |  |  |  |  |  |  |

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

Prepared by: Mary Hakala Phone: 465-2800  
 Division: Commissioner's Office Date: 3/7/89  
 Approved by Commissioner: William G. Demmert Date: 3/7/89  
 Agency: Education

Distribution (by preparer):  
 Legislative Finance  
 Legislative Sponsor  
 Requestor  
 Office of Management and Budget  
 Impacted Agency(ies)



**Alaska Association of School Governments**

**A RESOLUTION BY THE  
ALASKA ASSOCIATION OF SCHOOL GOVERNMENTS  
IN SUPPORT OF A VOTING STUDENT MEMBER ON THE  
STATE BOARD OF EDUCATION**

**WHEREAS**, current Alaska statute stipulates that a student member of the Alaska Association of School Governments serve on the Alaska State Board of Education in an advisory capacity; and,

**WHEREAS**, past experience has shown that the student advisory members possess sufficient levels of maturity and competence to handle the responsibility of voting; and,

**WHEREAS**, policies effected by the Alaska State Board of Education have a large and direct impact on the student population; and,

**WHEREAS**, students are aware of problems and situations in the educational system that adults may not immediately be cognizant of; and,

**WHEREAS**, other states, including California, Massachusetts, and Maryland, have had favorable results with having a voting student member on their State Boards of Education; and,

**WHEREAS**, the State Board of Education has twice voted unanimously to support legislation putting a voting Student and Military member on the Board;

**THEREFORE, BE IT RESOLVED**, that the Alaska Association of School Governments supports and encourages legislation (i.e. Senate Bill 182) to increase the size of the Alaska State Board of Education by a member, establishing the Student Advisory Member as a full voting member.



STEVE COWPER, GOVERNOR

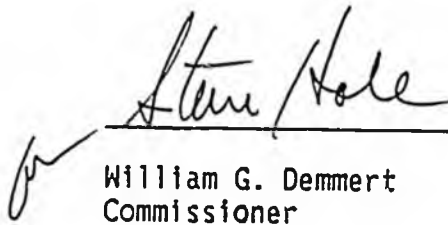
**DEPARTMENT OF EDUCATION**

GOLDBELT PLACE  
801 WEST 10TH STREET  
P O BOX F  
JUNEAU ALASKA 99811-0500

Position Paper on SB 182

First Session  
16th Alaska Legislature

The State Board of Education and the Department of Education support SB 182 relating to membership of the State Board of Education.

  
\_\_\_\_\_  
William G. Demmert  
Commissioner

3-6-89

Date

## FISCAL NOTE

**REQUEST:**

Revision Date: \_\_\_\_\_  
 Title: Relating to the State Board of  
Education  
 Sponsor: Fischer  
 Requestor: Senate HESS

Agency Affected: Education  
 BRU: Executive Administration  
 Components: Executive Administration

**EXPENDITURES/REVENUES:** (Thousands of Dollars)

| OPERATING              | FY 89      | FY 90      | FY 91      | FY 92      | FY 93      | FY 94      |
|------------------------|------------|------------|------------|------------|------------|------------|
| PERSONAL SERVICES      |            |            |            |            |            |            |
| TRAVEL                 |            |            |            |            |            |            |
| CONTRACTUAL            |            |            |            |            |            |            |
| SUPPLIES               |            |            |            |            |            |            |
| EQUIPMENT              |            |            |            |            |            |            |
| LAND & STRUCTURES      |            |            |            |            |            |            |
| GRANTS, CLAIMS         |            |            |            |            |            |            |
| MISCELLANEOUS          |            |            |            |            |            |            |
| <b>TOTAL OPERATING</b> | <b>-0-</b> | <b>-0-</b> | <b>-0-</b> | <b>-0-</b> | <b>-0-</b> | <b>-0-</b> |

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| REVENUE |  |  |  |  |  |  |
|---------|--|--|--|--|--|--|

**FUNDING:** (Thousands of Dollars)

|               |     |     |     |     |     |     |
|---------------|-----|-----|-----|-----|-----|-----|
| GENERAL FUND  | -0- | -0- | -0- | -0- | -0- | -0- |
| FEDERAL FUNDS |     |     |     |     |     |     |
| OTHER         |     |     |     |     |     |     |
| <b>TOTAL</b>  |     |     |     |     |     |     |

**POSITIONS:**

|           |  |  |  |  |  |  |
|-----------|--|--|--|--|--|--|
| FULL-TIME |  |  |  |  |  |  |
| PART-TIME |  |  |  |  |  |  |
| TEMPORARY |  |  |  |  |  |  |

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

Prepared by: Mary Hakala Phone: 465-2800  
 Division: Commissioner's Office Date: 3/3/89

Approved by Commissioner: William G. Demmert Date: 3/3/89  
 Agency: Education

Distribution (by preparer):  
 Legislative Finance  
 Legislative Sponsor  
 Requestor  
 Office of Management and Budget  
 Impacted Agency(ies)

# DEPARTMENT OF EDUCATION

(Mail Stop 0500)

|  | Phone    | Office Address                            | Mailing Address                  |
|--|----------|---|----------------------------------|
| <b>STATE BOARD OF EDUCATION</b>                |          |   |                                  |
| Barney Gottstein<br>President                  | 561-1944 |   | 6411 A Street<br>Anchorage 99501 |
| <b>MEMBERS</b>                                 |          |   |                                  |
| John Chenoweth, Juneau                         |          | Catherine Herrnsteen, Kodiak              |                                  |
| Sue Wilken, Fairbanks                          |          | Don Gray, Fairbanks                       |                                  |
| Raychelle Daniel, Tuntutuliak - (Student Rep.) |          | Janie Leask, Anchorage                    |                                  |
| Gerald Mitchell (Military Rep.)                |          | Cora Sakeagak, Barrow                     |                                  |
| Rosemary Hagevig<br>Executive Assistant        | 465-2800 | Goldbelt Bldg. 2nd Fl.<br>801 W. 10th St. | P.O. Box 1<br>Juneau 99811-0500  |
| <b>EXECUTIVE ADMINISTRATION</b>                |          |   |                                  |
| <b>Office of the Commissioner</b>              |          |   |                                  |
| William G. Demmert<br>Commissioner             | 465-2800 | Goldbelt Bldg. 2nd Fl.<br>801 W. 10th St. | P.O. Box F<br>Juneau 99811-0500  |
| Steve Hole<br>Deputy Commissioner              | 465-2800 | Goldbelt Bldg. 2nd Fl.<br>801 W. 10th St. | P.O. Box F<br>Juneau 99811-0500  |
| Mary Hakala<br>Special Assistant               | 465-2800 | Goldbelt Bldg. 2nd Fl.<br>801 W. 10th St. | P.O. Box F<br>Juneau 99811-0500  |
| Edna MacLean<br>Rural and Native Education     | 465-2800 | Goldbelt Bldg. 2nd Fl.<br>801 W. 10th St. | P.O. Box F<br>Juneau 99811-0500  |
| Tammy Northrup<br>Executive Secretary          | 465-2800 | Goldbelt Bldg. 2nd Fl.<br>801 W. 10th St. | P.O. Box F<br>Juneau 99811-0500  |
| Vickie McMillan<br>Administrative Assistant    | 465-2800 | Goldbelt Bldg. 2nd Fl.<br>801 W. 10th St. | P.O. Box F<br>Juneau 99811-0500  |
| Harry Gamble<br>Public Information             | 465-2821 | Goldbelt Bldg. 2nd Fl.<br>801 W. 10th St. | P.O. Box F<br>Juneau 99811-0500  |
| Kay Schiltz<br>Personnel Officer               | 465-2880 | Goldbelt Bldg. 2nd Fl.<br>801 W. 10th St. | P.O. Box F<br>Juneau 99811-0500  |
| <b>Administrative Services</b>                 |          |   |                                  |
| Brenda O'Donnell<br>Finance Officer            | 465-2875 | Goldbelt Bldg. 2nd Fl.<br>801 W. 10th St. | P.O. Box F<br>Juneau 99811-0500  |
| Steve Messing<br>Supply Officer                | 465-2852 | Goldbelt Bldg. 2nd Fl.<br>801 W. 10th St. | P.O. Box F<br>Juneau 99811-0500  |
| <b>Adult and Vocational Education</b>          |          |   |                                  |
| Karen Nyals<br>Administrator                   | 465-4685 | Goldbelt Bldg. 1st Fl.<br>301 W. 10th St. | P.O. Box F<br>Juneau 99811-0500  |
| <b>Education Finance and Support Services</b>  |          |   |                                  |
| Jerald Mikesell<br>Director                    | 465-2865 | Goldbelt Bldg. 2nd Fl.<br>801 W. 10th St. | P.O. Box F<br>Juneau 99811-0500  |
| Bob Davis<br>Administrative Officer            | 465-2875 | Goldbelt Bldg. 2nd Fl.<br>801 W. 10th St. | P.O. Box F<br>Juneau 99811-0500  |

**S B**

**191**

SENATE COMMITTEE REPORT

FIRST COMMITTEE OF REFERRAL

Date of 5-DAY NOTICE 3.30.89  
IN ACCORDANCE WITH UNIFORM RULE 23

\*\*FISCAL NOTE(S) MUST BE ATTACHED  
IN ACCORDANCE WITH AS 24.08.035

FURTHER

L&C  
FIN

DATE TURNED INTO OFFICE 4-5-89

2/24/89

Mr. President:

C&RA Committee considered SB 191

employment contributions and to the establishment of employment and training programs; efd

and recommended:

- replace with CS C&RA  same title
- attached amendment(s) and  new title
- \_\_\_\_\_ letter of intent adopted
- do pass
- do not pass
- no recommendation
- individual recommendations
- further referral to \_\_\_\_\_

FISCAL NOTE(S) attached  zero  
 appropriation no FN attached

C&RA AND LABOR  
 fiscal impact  
 Gov. FN introduced w/ bill

MEMBERS SIGNING DO PASS

OTHER RECOMMENDATIONS

*[Handwritten signatures]*

True 1 case - No Rec  
Al Hides - No Rec

Chairman signature and recommendation

Committee backup attached

**C&RA COMMITTEE  
TUESDAY  
MARCH 23, 1989**

**SB 191: AN ACT RELATING TO EMPLOYMENT CONTRIBUTIONS AND TO THE  
ESTABLISHMENT OF STATE TRAINING AND EMPLOYMENT PROGRAMS  
AND PROVIDING FOR AN EFFECTIVE DATE.**

**SPONSOR: RULES/GOV**

**FISCAL:**

**FY 90 LABOR: \$1,780K OPERATING W/ SAME REVENUE**

**FY 90 C&RA: \$1725K INTERAGENCY RECEIPTS**

THE NEXT BILL BEFORE THE COMMITTEE IS ONE THAT WAS HELD OVER AT THE REQUEST OF SENATOR SZYMANSKI. HE HAS WORKED IN SUB-COMMITTEE AND A COMMITTEE SUBSTITUTE HAS BEEN DISPENSED TO THE MEMBERS.

THE COMMITTEE SUBSTITUTE PLACES THIS PROGRAM IN TEMPORARY LAW RATHER THAN IN PERMANENT STATUTE. IT CHANGES THE ORDER OF THE TITLE OF THE PROGRAM SO THAT THE ACRONYM "STEP" PROGRAM CAN BE USED. IT REMOVED A PORTION OF WHAT IS NOW SECTION 7 OF THE BILL THAT ALLOWED THE DEPARTMENT TO AWARD GRANTS TO "OTHER QUALIFIED TRAINING ENTITIES TO PROVIDE SERVICES LISTED IN AS 23.21.050. " IT ALSO ADDS A SENTENCE TO SECTION 7 THAT REQUIRES THE DEPARTMENT OF LABOR TO PROVIDE TO THE COUNCIL A PRIORITY LIST OF CRITERIA FOR ELIGIBILITY TO MAXIMIZE SERVICES TO THOSE MOST IN NEED OF TRAINING. OTHER CHANGES WERE MOSTLY CLEAN -UP LANGUAGE. THERE ARE FISCAL NOTES IN YOUR PACKET FOR THE COMMITTEE SUBSTITUTE AND SENATOR SZYMANSKI CAN EXPLAIN THE CHANGES FURTHER TO THE COMMITTEE.

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PLAS

EILEEN PLATE

**C&RA COMMITTEE  
TUESDAY  
MARCH 21, 1989**

**SB 191: AN ACT RELATING TO EMPLOYMENT CONTRIBUTIONS AND TO THE  
ESTABLISHMENT OF STATE TRAINING AND EMPLOYMENT PROGRAMS  
AND PROVIDING FOR AN EFFECTIVE DATE.**

**SPONSOR: RULES/GOV**

**FISCAL:**

**FY 90 LABOR: \$1,780K OPERATING W/ SAME REVENUE**

**FY 90 C&RA: \$1725K INTERAGENCY RECEIPTS**

**THE NEXT BILL BEFORE THE COMMITTEE IS ONE THAT WAS HELD OVER  
LAST WEEK AT THE REQUEST OF SENATOR SZYMANSKI. A COMMITTEE  
SUBSTITUTE HAS BEEN DISPENSED TO THE MEMBERS AND SENATOR  
SZYMANSKI CAN EXPLAIN THE CHANGES TO THE COMMITTEE.**

---

**PLAS**

**EILEEN PLATE**

go0549sH  
Cramer  
3/22/89

Original sponsor: Rules/Governor

1 IN THE SENATE

2 CS FOR SENATE BILL NO. 19 ( )

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 SIXTEENTH LEGISLATURE - FIRST SESSION

5 A BILL

6 For an Act entitled: "An Act relating to employment contributions and to  
7 the establishment of state training and employment  
8 programs; and providing for an effective date."

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

10 \* Section 1. FINDINGS. The legislature finds that

11 (1) an inadequate number of jobs exist in this state to meet the  
12 needs of those seeking employment;

13 (2) many Alaskans are having difficulty finding jobs, especially  
14 in trying to meet the changing technology needs in this state;

15 (3) employer and employee contributions paid into the unemploy-  
16 ment insurance system are used for payment of compensation to unemployed  
17 workers and allocation of a small portion of employment contributions paid  
18 by employees would provide money to develop a state training and employment  
19 program to meet the training needs of Alaskans;

20 (4) a state training and employment program would

21 (A) help prevent future claims against unemployment bene-  
22 fits;

23 (B) foster new jobs by encouraging businesses to locate in  
24 the state due to availability of a skilled labor force and by minimiz-  
25 ing employers' unemployment costs; and

26 (C) increase training opportunities to those workers se-  
27 verely affected by the fluctuations in the state economy or techno-  
28 logical changes in the workplace in the state;

29 (5) it would be beneficial to the state for state training and

1 employment programs funded by this Act to supplement, but not to displace,  
2 programs funded by money available to a training entity for public or  
3 private training, and not to replace, parallel, compete with, or duplicate  
4 existing federally approved, jointly administered apprenticeship and train-  
5 ing programs.

6 \* Sec. 2. STATE TRAINING AND EMPLOYMENT PROGRAM. There is created a  
7 two-year pilot project program to finance and award grants to employment  
8 assistance and training entities. Employment assistance and training  
9 entities shall give appropriate state agencies full access to accounting  
10 records concerning grants received to assure compliance with program stan-  
11 dards.

12 \* Sec. 3. EMPLOYMENT ASSISTANCE AND TRAINING PROGRAM ACCOUNT. The  
13 employment assistance and training program account is established in the  
14 general fund. The commissioner of administration shall separately account  
15 for money collected under sec. 4 of this Act that the department deposits  
16 in the general fund. The annual estimated balance in the account may be  
17 appropriated by the legislature to the department to implement this Act.  
18 The legislature may appropriate the lapsing balance of the account to the  
19 unemployment compensation fund established in AS 23.20.130.

20 \* Sec. 4. SPECIAL EMPLOYEE UNEMPLOYMENT CREDIT AND CONTRIBUTIONS FOR  
21 PROGRAM. (a) In the manner provided in AS 23.20, the department shall  
22 collect from each employee an amount equal to one-tenth of one percent of  
23 the wages, as set out in AS 23.20.175, on which the employee is required to  
24 make contributions under AS 23.20.290(d). This subsection applies to  
25 amounts due and collected from July 1, 1989, through June 30, 1991, on  
26 wages for employment performed from July 1, 1989, through June 30, 1991.  
27 The department shall remit to the Department of Revenue, in accordance with  
28 AS 37.10.050, money collected under this subsection.

29 (b) Notwithstanding AS 23.20.290(d), the department shall credit each  
CSSB 191( )

1 employee with an amount equal to the amount collected from the employee  
2 under (a) of this section against unemployment contributions owed by the  
3 employee under AS 23.20.

4 (c) The department shall assess and collect, under AS 23.20.185 -  
5 23.20.275, interest and penalties for delinquent reports and payments due  
6 under this section. Interest and penalties collected shall be handled in  
7 accordance with AS 23.20.130(d).

8 \* Sec. 5. PEOPLE TO BE SERVED. Within the limits of its grant, an  
9 employment assistance and training entity receiving a grant under sec. 8 of  
10 this Act shall provide services set out in sec. 6 of this Act to state  
11 residents who, immediately before beginning training or receiving benefits  
12 under a grant financed by this program,

13 (1) are unemployed and

14 (A) are receiving unemployment insurance benefits; or

15 (B) have exhausted the right to unemployment insurance  
16 benefits within the past three years;

17 (2) are employed, but liable to be displaced within the next six  
18 months because of

19 (A) reductions in overall employment within a business;

20 (B) elimination of the worker's current job; or

21 (C) a change in conditions of employment requiring that, to  
22 remain employed, the employee must learn substantially different  
23 skills which the employee does not now possess; or

24 (3) have worked in a position covered by AS 23.20 at any time  
25 during the last three years, and are not currently eligible for unemploy-  
26 ment insurance benefits because

27 (A) their employment has been seasonal, temporary, part-  
28 time, or marginal;

29 (B) their qualifying wages are insufficient because of

1 limited job opportunity; or

2 (C) they are employed but, because they are underemployed,  
3 they are in need of employment assistance and training to obtain full  
4 employment.

5 \* Sec. 6. SERVICES FOR ELIGIBLE PEOPLE. Subject to the limits of its  
6 grant, an entity receiving a grant under sec. 8 of this Act shall provide  
7 one or more program elements. The program elements include

- 8 (1) industry-specific training;  
9 (2) on-the-job training;  
10 (3) institutional or classroom job-linked training;  
11 (4) support services, including allowances;  
12 (5) relocation assistance; or  
13 (6) provisions of necessary tools, work-related clothing, safety  
14 gear, or other necessities to obtain or retain employment.

15 \* Sec. 7. DUTIES OF THE DEPARTMENT. (a) The department may award a  
16 grant to the State Job Training Coordinating Council to

- 17 (1) administer a state training and employment program; and  
18 (2) award pilot project grants to qualified entities.

19 (b) If a grant is awarded to the State Job Training Coordinating  
20 Council, the department shall annually provide to the council a priority  
21 list of targeted projects or services, based on unemployment statistics,  
22 unemployment insurance claims, occupational and industrial projections,  
23 availability of other training and employment programs, and other relevant  
24 data. The department shall also provide annually to the council a priority  
25 list of criteria for eligibility to maximize services to those people most  
26 in need of training under this Act. In developing the priority list for  
27 targeted projects and services, the department shall solicit comments from  
28 the Department of Community and Regional Affairs, Department of Education,  
29 Department of Commerce and Economic Development, University of Alaska,

1 organized labor, the council, and the administrative entities of the sub-  
2 state service delivery areas established for the council.

3 (c) The department may adopt regulations necessary to implement this  
4 chapter.

5 \* Sec. 8. DUTIES OF STATE JOB TRAINING COORDINATING COUNCIL. (a) In  
6 implementing this program under a grant received under sec. 7 of this Act,  
7 and subject to the limit of its grant, the council shall award a pilot  
8 project grant for a period of up to two years, in accordance with the  
9 priority list established by the department under sec. 7(b) of this Act, to  
10 an employment assistance and training entity if the entity meets program  
11 requirements and can demonstrate that

12 (1) its accounting systems include controls adequate to check  
13 the accuracy and reliability of accounting data, promote operating effi-  
14 ciency, and assure compliance with program requirements and generally  
15 accepted accounting principles; and

16 (2) its activities do not replace or compete in any way with a  
17 federally approved jointly administered apprenticeship program or any other  
18 existing training programs.

19 (b) The council may not award a pilot project grant if the grant  
20 would displace money available through existing public or private training  
21 programs.

22 (c) The Department of Community and Regional Affairs shall provide  
23 administrative support to the council to administer the program. To pro-  
24 vide administration of the program, the council may use the administrative  
25 entities of the substate service delivery areas established for the coun-  
26 cil.

27 (d) The council shall annually provide the department with financial  
28 and performance reporting on the activities of the program and recommenda-  
29 tions concerning continuation of funding.

1 \* Sec. 9. DEFINITIONS. In this Act,

2 (1) "council" means the State Job Training Coordinating Council  
3 established in the Department of Community and Regional Affairs under  
4 29 U.S.C. 1532 and Administrative Order Number 74 of the governor;

5 (2) "department" means the Department of Labor;

6 (3) "program" means the state training and employment program  
7 established under this Act; and

8 (4) "substate service delivery areas" means those areas desig-  
9 nated by the governor under 29 U.S.C. 1532.

10 \* Sec. 10. SHORT TITLE. This Act may be cited as the Alaska Employment  
11 Assistance and Training Program Act.

12 \* Sec. 11. This Act is repealed.

13 \* Sec. 12. Sections 1 -10 of this Act take effect July 1, 1989.

14 \* Sec. 13. Section 11 of this Act takes effect July 1, 1991.

Original sponsor: Rules/Governor

1 IN THE SENATE

2 CS FOR SENATE BILL NO. 191 ( )  
3 IN THE LEGISLATURE OF THE STATE OF ALASKA  
4 SIXTEENTH LEGISLATURE - FIRST SESSION

5 A BILL

6 For an Act entitled: "An Act relating to employment contributions and to  
7 the establishment of state training and employment  
8 programs; and providing for an effective date."

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

10 \* Section 1. FINDINGS. The legislature finds that

11 (1) an inadequate number of jobs exist in this state to meet the  
12 needs of those seeking employment;

13 (2) many Alaskans are having difficulty finding jobs, especially  
14 in trying to meet the changing technology needs in this state;

15 (3) employer and employee contributions paid into the unemploy-  
16 ment insurance system are used for payment of compensation to unemployed  
17 workers and allocation of a small portion of employment contributions paid  
18 by employees would provide money to develop a state training and employment  
19 program to meet the training needs of Alaskans;

20 (4) a state training and employment program would

21 (A) help prevent future claims against unemployment bene-  
22 fits;

23 (B) foster new jobs by encouraging businesses to locate in  
24 the state due to availability of a skilled labor force and by minimiz-  
25 ing employers' unemployment costs; and

26 (C) increase training opportunities to those workers se-  
27 verely affected by the fluctuations in the state economy or techno-  
28 logical changes in the workplace in the state;

29 (5) it would be beneficial to the state for state training and

1 employment programs funded by this Act to supplement, but not to displace,  
2 programs funded by money available to a training entity for public or  
3 private training, and not to replace, parallel, compete with, or duplicate  
4 existing federally approved, jointly administered apprenticeship and train-  
5 ing programs.

6 \* Sec. 2. <sup>[EMPLOYMENT ASSISTANCE & TRAINING]</sup> STATE TRAINING AND EMPLOYMENT PROGRAM. There is created a  
7 two-year pilot project program to finance and award grants to employment  
8 assistance and training entities. Employment assistance and training  
9 entities shall <sup>[RECORDS]</sup> give appropriate state agencies full access to accounting  
10 records concerning grants received to assure compliance with program stan-  
11 dards.

12 \* Sec. 3. EMPLOYMENT ASSISTANCE AND TRAINING PROGRAM ACCOUNT. The  
13 employment assistance and training program account is established in the  
14 general fund. The commissioner of administration shall separately account  
15 for money collected under <sup>[AS 23.21.030]</sup> sec. 4 of this Act that the department deposits  
16 in the general fund. The annual estimated balance in the account may be  
17 appropriated by the legislature to the department to implement this Act. <sup>[CHAPTER]</sup>  
18 The legislature may appropriate the lapsing balance of the account to the  
19 unemployment compensation fund established in AS 23.20.130.

20 \* Sec. 4. SPECIAL EMPLOYEE UNEMPLOYMENT CREDIT AND CONTRIBUTIONS FOR  
21 PROGRAM. (a) In the manner provided in AS 23.20, the department shall  
22 collect from each employee <sup>[AN]</sup> an amount equal to one-tenth of one percent of  
23 the <sup>[RATE OF CONTRIBUTION]</sup> wages, as set out in AS 23.20.175, on which the employee is required to  
24 make contributions under AS 23.20.290(d). This subsection applies to  
25 amounts due and collected from July 1, 1989, through June 30, 1991, on  
26 wages for employment performed from July 1, 1989, through June 30, 1991.  
27 The department shall remit to the Department of Revenue, in accordance with  
28 AS 37.10.050, money collected under this subsection.

29 (b) Notwithstanding AS 23.20.290(d), the department shall credit each <sup>[AN]</sup>

1 [UNEMPLOYMENT CONTRIBUTIONS UNDER AS 23.20.290] PAYABLE BY  
employee with an amount equal to the amount collected from the employee  
2 THAT EMPLOYEE UNDER THAT SUBSECTION] OF THE RATE OF CONTRIBUTIONS  
3 under (a) of this section against unemployment contributions owed by the  
employee under AS 23.20.

4 (c) The department shall assess and collect, under AS 23.20.185 -  
5 23.20.275, interest and penalties for delinquent reports and payments due  
6 under this section. Interest and penalties collected shall be handled in  
7 accordance with AS 23.20.130(d).

8 \* Sec. 5. PEOPLE TO BE SERVED. Within the limits of its grant, an  
9 employment assistance and training entity receiving a grant under sec. 8 of  
10 this Act shall provide services set out in sec. 6 of this Act to state  
11 residents who, immediately before beginning training or receiving benefits  
12 under a grant financed by this program,

- 13 (1) are unemployed and
  - 14 (A) are receiving unemployment insurance benefits; or
  - 15 (B) have exhausted the right to unemployment insurance
  - 16 benefits within the past three years;

17 (2) are employed, but liable to be displaced within the next six  
18 months because of

- 19 (A) reductions in overall employment within a business;
- 20 (B) elimination of the worker's current job; or
- 21 (C) a change in conditions of employment requiring that, to  
22 remain employed, the employee must learn substantially different  
23 skills which the employee does not now possess; or

24 (3) have worked in a position covered by AS 23.20 at any time  
25 during the last three years, and are not currently eligible for unemploy-  
26 ment insurance benefits because

- (A) their employment has been seasonal, temporary, part-  
27 time, or marginal;
- 28 (B) their qualifying wages are insufficient because of

1 limited job opportunity; or

2 (C) <sup>[UNDEREMPLOYED]</sup> they are employed but, because they are underemployed,  
3 they are in need of employment assistance and training to obtain full  
4 employment.

5 \* Sec. 6. SERVICES FOR ELIGIBLE PEOPLE. Subject to the limits of its  
6 grant, an entity receiving a grant under sec. 8 of this Act shall provide  
7 one or more program elements. The program elements include

- 8 (1) industry-specific training;
- 9 (2) on-the-job training;
- 10 (3) institutional or classroom job-linked training;
- 11 (4) support services, including allowances;
- 12 (5) relocation assistance; or
- 13 (6) provisions of necessary tools, work-related clothing, safety  
14 gear, or other necessities to obtain or retain employment.

15 \* Sec. 7. DUTIES OF THE DEPARTMENT. (a) The department may award a  
16 grant to the State Job Training Coordinating Council to

- 17 (1) administer a state training and employment program; and <sup>[AN EMPLOYMENT ASSISTANCE PROGRAM]</sup> [TO]
- 18 (2) award pilot project grants to qualified entities. <sup>[TO] QUALIFIED TAKE EMPLOYERS TO PROVIDE SERVICES UNDER IS AS 23.21.050</sup>

19 (b) If a grant is awarded to the State Job Training Coordinating  
20 Council, the department shall annually provide to the council a priority  
21 list of targeted projects or services, based on unemployment statistics,  
22 unemployment insurance claims, occupational and industrial projections,  
23 availability of other training and employment programs, and other relevant  
24 data. The department shall also provide annually to the council a priority  
25 list of criteria for eligibility to maximize services to those people most  
26 in need of training under this Act. In developing the priority list for  
27 targeted projects and services, the department shall solicit comments from  
28 the Department of Community and Regional Affairs, Department of Education,  
29 Department of Commerce and Economic Development, University of Alaska,

1 organized labor, the council, and the administrative entities of the sub-  
2 state service delivery areas established for the council.

3 (c) The department may adopt regulations necessary to implement this  
4 chapter.

5 \* Sec. 8. DUTIES OF STATE JOB TRAINING COORDINATING COUNCIL. (a) In  
6 implementing this program under a grant received under sec. 7 of this Act, <sup>[s. 23.21.040(1)]</sup>  
7 and subject to the limit of its grant, the council shall award a pilot  
8 project grant for a period of up to two years, in accordance with the  
9 priority list established by the department under sec. 7(b) of this Act, to <sup>[s. 23.21.040(6)]</sup>  
10 an employment assistance and training entity if the entity meets program  
11 requirements and can demonstrate that

12 (1) its accounting systems include controls adequate to check  
13 the accuracy and reliability of accounting data, promote operating effi-  
14 ciency, and assure compliance with program requirements and generally  
15 accepted accounting principles; and

16 (2) its activities do not replace or compete in any way with a  
17 federally approved jointly administered apprenticeship program or any other  
18 existing training programs.

19 (b) <sup>Department of the State of Wisconsin</sup> The council may not award a pilot project grant if the grant  
20 would displace money available through existing public or private training  
21 programs.

22 (c) The Department of Community and Regional Affairs shall provide  
23 administrative support to the council to administer the program. To pro-  
24 vide administration of the program, the council may use the administrative  
25 entities of the substate service delivery areas established for the coun-  
26 cil.

27 (d) The council shall annually provide the department with financial  
28 and performance reporting on the activities of the program and recommenda-  
29 tions concerning continuation of funding.

1 \* Sec. 9. DEFINITIONS. In this Act,

2 (1) "council" means the State Job Training Coordinating Council  
3 established in the Department of Community and Regional Affairs under  
4 29 U.S.C. 1532 and Administrative Order Number 74 of the governor;

5 (2) "department" means the Department of Labor;

6 (3) "program" means the state training and employment program  
7 established under this Act; and

8 (4) "substate service delivery areas" means those areas desig-  
9 nated by the governor under 29 U.S.C. 1532.

10 \* Sec. 10. SHORT TITLE. This Act may be cited as the Alaska Employment  
11 Assistance and Training Program Act.

12 \* Sec. 11. This Act is repealed.

13 \* Sec. 12. Sections 1 -10 of this Act take effect July 1, 1989.

14 \* Sec. 13. Section 11 of this Act takes effect July 1, 1991.

15 *LAST PART REPEALED BY HOUSE THE SAME*

1 IN THE SENATE

BY THE RULES COMMITTEE BY  
REQUEST OF THE GOVERNOR

2

SENATE BILL NO. 191

3

IN THE LEGISLATURE OF THE STATE OF ALASKA

4

SIXTEENTH LEGISLATURE - FIRST SESSION

5

A BILL

6

For an Act entitled: "An Act relating to employment contributions and to  
the establishment of employment and training pro-  
grams; and providing for an effective date."

7

8

9

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

10

\* Section 1. FINDINGS. The legislature finds that

11

(1) an inadequate number of jobs exist in this state to meet the  
needs of those seeking employment;

12

13

(2) many Alaskans are having difficulty finding jobs, especially in  
trying to meet the changing technology needs in this state;

14

15

(3) employer and employee contributions paid into the unemployment  
insurance system are used for payment of compensation to unemployed work-  
ers, and that allocation of a small portion of employment contributions  
paid by employees would provide money to develop a state training program  
to meet the training needs of Alaskans;

16

17

18

19

20

(4) a state employment training program would

21

(A) help prevent future claims against unemployment benefits;

22

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

23

24

25

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

26

27

28

(5) it would be beneficial to the state for employment training  
programs funded by this Act to supplement, but not to displace, money

29

1 available to a training entity for public or private training, and not to  
2 replace, parallel, compete with, or duplicate existing federally approved,  
3 jointly administered apprenticeship and training programs.

4 \* Sec. 2. AS 23 is amended by adding a new chapter to read:

5 CHAPTER 21. EMPLOYMENT ASSISTANCE AND TRAINING.

6 Sec. 23.21.010. EMPLOYMENT ASSISTANCE AND TRAINING PROGRAM.

7 There is created a two-year pilot project program, designed by the  
8 state, to finance and award grants to employment assistance and train-  
9 ing entities. Employment assistance and training entities shall  
10 accord appropriate state agencies full access to accounting records  
11 concerning grants received, to assure compliance with program stan-  
12 dards.

13 Sec. 23.21.020. EMPLOYMENT ASSISTANCE AND TRAINING PROGRAM  
14 ACCOUNT. The employment assistance and training program account is  
15 established in the general fund. The commissioner of administration  
16 shall separately account for money collected under AS 23.21.030 that  
17 the department deposits in the general fund. The annual estimated  
18 balance in the account may be appropriated by the legislature to the  
19 department to implement this chapter. The legislature may appropriate  
20 the lapsing balance of the account to the unemployment compensation  
21 fund established in AS 23.20.130.

22 Sec. 23.21.030. SPECIAL EMPLOYEE UNEMPLOYMENT CREDIT AND CONTRI-  
23 BUTIONS FOR PROGRAM. (a) In the manner provided in AS 23.20, the  
24 department shall collect from an employee, who is contributing under  
25 AS 23.20.290(d), one-tenth of one percent of the rate of contribution  
26 payable by the employee under that subsection. Notwithstanding  
27 AS 23.20.290(d), for the purposes of this chapter, beginning July 1,  
28 1989 and continuing through June 30, 1991, for unemployment contri-  
29 butions due for and collected during that period under AS 23.20, the

1 department shall credit an employee, who is contributing under  
2 AS 23.20.290(d), with payment of one-tenth of one percent of the rate  
3 of contribution payable by that employee under that subsection. The  
4 department shall remit to the Department of Revenue, in accordance  
5 with AS 37.10.050, money collected under this subsection.

6 (b) The department shall assess and collect, under AS 23.20.185  
7 -- 23.20.275, interest and penalties for delinquent reports and pay-  
8 ments due under this section. Interest and penalties collected shall  
9 be handled in accordance with AS 23.20.130(d).

10 Sec. 23.21.040. PEOPLE TO BE SERVED. Within the limits of its  
11 grant, an employment assistance and training entity receiving a grant  
12 under AS 23.21.070 shall provide services set out in AS 23.21.050 to  
13 Alaska residents who, immediately before beginning training or receiv-  
14 ing benefits under a grant financed by this program,

15 (1) are unemployed, and

16 (A) receiving unemployment insurance benefits, or

17 (B) exhausted unemployment insurance benefits during

18 the past three years;

19 (2) are employed, but who might be displaced within the next  
20 six months due to

21 (A) reductions in overall employment within a busi-

22 ness;

23 (B) elimination of the worker's current job; or

24 (C) a change in conditions of employment necessitating

25 a substantial revision in skills to remain employed; or

26 (3) have worked in covered employment during the last three  
27 years, and are not currently eligible for unemployment insurance  
28 benefits due to

29 (A) seasonal, temporary, part-time, or marginal

1 employment;

2 (B) lack of qualifying wages because of limited job  
3 opportunity; or

4 (C) underemployment, but are in need of employment and  
5 training assistance to obtain full-time employment.

6 Sec. 23.21.050. SERVICES FOR ELIGIBLE PEOPLE. Subject to the  
7 limits of its grant, an entity receiving a grant under AS 23.21.070  
8 shall provide one or more program elements, including

- 9 (1) industry-specific training;
- 10 (2) on-the-job training;
- 11 (3) institutional or classroom job-linked training;
- 12 (4) support services, including allowances;
- 13 (5) relocation assistance; or
- 14 (6) provisions of necessary tools, work-related clothing,  
15 safety gear, or other necessities to obtain or retain employment.

16 Sec. 23.21.060. DUTIES OF THE DEPARTMENT. (a) The department  
17 may award a grant to

18 (1) the State Job Training Coordinating Council to adminis-  
19 ter an employment assistance and training program and to award pilot  
20 project grants to qualified entities; or

21 (2) other qualified training entities to provide services  
22 listed in AS 23.21.050.

23 (b) If a grant is awarded to the State Job Training Coordinating  
24 Council, the department shall annually provide to the council a pri-  
25 ority list of targeted projects or services, based on unemployment  
26 statistics, unemployment insurance claims, occupational and industrial  
27 projections, availability of other training and employment programs,  
28 and other relevant data. In developing the priority list for targeted  
29 projects and services, the department shall solicit comments from the

1 Department of Community and Regional Affairs, Department of Education,  
2 Department of Commerce and Economic Development, University of Alaska,  
3 organized labor, the council, and the administrative entities of the  
4 substate service delivery areas established for the council.

5 (c) The department may adopt regulations necessary to implement  
6 this chapter.

7 Sec. 23.21.070. DUTIES OF STATE JOB TRAINING COORDINATING COUN-  
8 CIL. (a) In implementing this program under a grant received under  
9 AS 23.21.060(a)(1), and subject to the limit of its grant, the State  
10 Job Training Coordinating Council shall award a pilot project grant  
11 for a period of up to two years, in accordance with the priority list  
12 established by the department under AS 23.21.060(b), to an employment  
13 assistance and training entity if the entity meets program require-  
14 ments and can demonstrate that

15 (1) its accounting systems include controls adequate to  
16 check the accuracy and reliability of accounting data, promote operat-  
17 ing efficiency, and assure compliance with program requirements and  
18 generally accepted accounting principles; and

19 (2) its activities do not replace or compete in any way  
20 with a federally approved jointly administered apprenticeship program  
21 or any other existing training programs.

22 (b) Subject to the limits of its grant, the council may not  
23 award a pilot project grant if the grant would displace money avail-  
24 able through existing public or private training programs.

25 (c) The Department of Community and Regional Affairs shall pro-  
26 vide administrative support to the council to administer the program.  
27 To provide administration of the program, the council may use the  
28 administrative entities of the substate service delivery areas estab-  
29 lished for the council.

1           (d) The council shall annually provide the department with  
2 financial and performance reporting on the activities of the program  
3 and recommendations concerning continuation of funding.

4           Sec. 23.21.080. DEFINITIONS. In this chapter,

5           (1) "council" means the State Job Training Coordinating Council  
6 established in the Department of Community and Regional Affairs under  
7 29 U.S.C. 1532 and Administrative Order Number 74 of the governor;

8           (2) "department" means the Department of Labor;

9           (3) "program" means the employment assistance and training  
10 program established under this chapter; and

11           (4) "substate service delivery areas" means those areas desig-  
12 nated by the governor under 29 U.S.C. 1532.

13           Sec. 23.21.090. SHORT TITLE. This chapter may be cited as the  
14 Alaska Employment Assistance and Training Program Act.

15       \* Sec. 3. AS 23.21.010, 23.21.020, 23.21.030, 23.21.040, 23.21.050,  
16 23.21.060, 23.21.070, 23.21.080, and 23.21.090 are repealed.

17       \* Sec. 4. Sections 1 and 2 of this Act take effect July 1, 1989.

18       \* Sec. 5. Section 3 of this Act takes effect July 1, 1991.

Introduced: 2/24/89  
Referred: Community and Regional  
Affairs, Labor and Commerce  
and Finance

go00549s

*TERRY CRAMER*  
*COMMUNITY AND*  
BY THE RULES COMMITTEE BY  
REQUEST OF THE GOVERNOR  
*REGIONAL AFFAIRS*

1 IN THE SENATE

*(Comm. Rec. Sub-4-1-89)*  
2 SENATE BILL NO. 191 (C+R A)

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 SIXTEENTH LEGISLATURE - FIRST SESSION

5 A BILL

6 For an Act entitled: "An Act relating to employment contributions and to  
7 the establishment of employment and training pro-  
8 grams; and providing for an effective date."

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

10 \* Section 1. FINDINGS. The legislature finds that

11 (1) an inadequate number of jobs exist in this state to meet the  
12 needs of those seeking employment;

13 (2) many Alaskans are having difficulty finding jobs, especially in  
14 trying to meet the changing technology needs in this state;

15 (3) employer and employee contributions paid into the unemployment  
16 insurance system are used for payment of compensation to unemployed work-  
17 ers, and that allocation of a small portion of employment contributions  
18 paid by employees would provide money to develop a state training *EMPLOYMENT* program  
19 to meet the training needs of Alaskans;

20 (4) a state employment training program would

21 (A) help prevent future claims against unemployment benefits;

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

25 (C) increase training opportunities to those workers severely  
26 affected by the fluctuations in the Alaskan economy or technological  
27 changes in the workplace in the state;

28 (5) it would be beneficial to the state for employment training  
29 programs funded by this Act to supplement, but not to displace, money

1 available to a training entity for public or private training, and not to  
2 replace, parallel, compete with, or duplicate existing federally approved,  
3 jointly administered apprenticeship and training programs.

4 \* Sec. 2. AS 23 is amended by adding a new chapter to read:

5 CHAPTER 21. <sup>STATE TRAINING EMPLOYMENT PROGRAM</sup> ~~EMPLOYMENT ASSISTANCE AND TRAINING-~~

6 Sec. 23.21.010. <sup>STATE TRAINING EMPLOYMENT PROGRAM</sup> ~~EMPLOYMENT ASSISTANCE AND TRAINING PROGRAM.~~

7 There is created a two-year pilot project program, designed by the  
8 state, to finance and award grants to employment assistance and train-  
9 ing entities. Employment assistance and training entities shall  
10 accord appropriate state agencies full access to accounting records  
11 concerning grants received, to assure compliance with program stan-  
12 dards.

13 Sec. 23.21.020. <sup>STATE TRAINING EMPLOYMENT</sup> ~~EMPLOYMENT ASSISTANCE AND TRAINING PROGRAM~~  
14 ACCOUNT. <sup>STATE TRAINING EMPLOYMENT</sup> ~~The employment assistance and training~~ program account is  
15 established in the general fund. The commissioner of administration  
16 shall separately account for money collected under AS 23.21.030 that  
17 the department deposits in the general fund. The annual estimated  
18 balance in the account may be appropriated by the legislature to the  
19 department to implement this chapter. The legislature may appropriate  
20 the lapsing balance of the account to the unemployment compensation  
21 fund established in AS 23.20.130.

22 Sec. 23.21.030. SPECIAL EMPLOYEE UNEMPLOYMENT CREDIT AND CONTRI-  
23 BUTIONS FOR PROGRAM. (a) In the manner provided in AS 23.20, the  
24 department shall collect from an employee, who is contributing under  
25 AS 23.20.290(d), one-tenth of one percent of the rate of contribution  
26 payable by the employee under that subsection. Notwithstanding  
27 AS 23.20.290(d), for the purposes of this chapter, beginning July 1,  
28 1989 and continuing through June 30, 1991, for unemployment contri-  
29 butions due for and collected during that period under AS 23.20, the

1 department shall credit an employee, who is contributing under  
2 AS 23.20.290(d), with payment of one-tenth of one percent of the rate  
3 of contribution payable by that employee under that subsection. The  
4 department shall remit to the Department of Revenue, in accordance  
5 with AS 37.10.050, money collected under this subsection.

6 (b) The department shall assess and collect, under AS 23.20.185  
7 -- 23.20.275, interest and penalties for delinquent reports and pay-  
8 ments due under this section. Interest and penalties collected shall  
9 be handled in accordance with AS 23.20.130(d).

10 Sec. 23.21.040. PEOPLE TO BE SERVED. Within the limits of its  
11 grant, an employment assistance and training entity receiving a grant  
12 under AS 23.21.070 shall provide services set out in AS 23.21.050 to  
13 Alaska residents who, immediately before beginning training or receiv-  
14 ing benefits under a grant financed by this program,

15 (1) are unemployed, and

16 (A) receiving unemployment insurance benefits, or

17 (B) exhausted unemployment insurance benefits during

18 the past three years;

19 (2) are employed, but who might be displaced within the next  
20 six months due to

21 (A) reductions in overall employment within a busi-  
22 ness;

23 (B) elimination of the worker's current job; or

24 (C) a change in conditions of employment necessitating  
25 a substantial revision in skills to remain employed; or

26 (3) have worked in covered employment during the last three  
27 years, and are not currently eligible for unemployment insurance  
28 benefits due to

29 (A) seasonal, temporary, part-time, or marginal

1 employment;

2 (B) lack of qualifying wages because of limited job  
3 opportunity; or

4 (C) underemployment, but are in need of employment and  
5 training assistance to obtain full-time employment.

6 Sec. 23.21.050. SERVICES FOR ELIGIBLE PEOPLE. Subject to the  
7 limits of its grant, an entity receiving a grant under AS 23.21.070  
8 shall provide one or more program elements, including

- 9 (1) industry-specific training;  
10 (2) on-the-job training;  
11 (3) institutional or classroom job-linked training;  
12 (4) support services, including allowances;  
13 (5) relocation assistance; or  
14 (6) provisions of necessary tools, work-related clothing,  
15 safety gear, or other necessities to obtain or retain employment.

16 Sec. 23.21.060. DUTIES OF THE DEPARTMENT. (a) The department  
17 may award a grant to

18 (1) the State Job Training Coordinating Council to adminis-  
19 ter an employment assistance and training program and to award pilot  
20 project grants to qualified entities; or

21 (2) other qualified training entities to provide services  
22 listed in AS 23.21.050.

23 (b) If a grant is awarded to the State Job Training Coordinating  
24 Council, the department shall annually provide to the council a pri-  
25 ority list of targeted projects or services, based on unemployment  
26 statistics, unemployment insurance claims, occupational and industrial  
27 projections, availability of other training and employment programs,  
28 and other relevant data. In developing the priority list for targeted  
29 projects and services, the department shall solicit comments from the

ADDITIONALLY THE DEPARTMENT MAY ANNUALLY  
PROVIDE TO THE COUNCIL A PRIORITY LIST OF CRITERIA  
FOR ELIGIBILITY TO MAXIMIZE SERVICES TO THOSE PEOPLE MOST

IN NEED OF TRAINING UNDER THIS CHAPTER

1 Department of Community and Regional Affairs, Department of Education,  
2 Department of Commerce and Economic Development, University of Alaska,  
3 organized labor, the council, and the administrative entities of the  
4 substate service delivery areas established for the council.

5 (c) The department may adopt regulations necessary to implement  
6 this chapter.

7 Sec. 23.21.070. DUTIES OF STATE JOB TRAINING COORDINATING COUN-  
8 CIL. (a) In implementing this program under a grant received under  
9 AS 23.21.060(a)(1), and subject to the limit of its grant, the State  
10 Job Training Coordinating Council shall award a pilot project grant  
11 for a period of up to two years, in accordance with the priority list  
12 established by the department under AS 23.21.060(b), to an employment  
13 assistance and training entity if the entity meets program require-  
14 ments and can demonstrate that

15 (1) its accounting systems include controls adequate to  
16 check the accuracy and reliability of accounting data, promote operat-  
17 ing efficiency, and assure compliance with program requirements and  
18 generally accepted accounting principles; and

19 (2) its activities do not replace or compete in any way  
20 with a federally approved jointly administered apprenticeship program  
21 or any other existing training programs.

22 (b) Subject to the limits of its grant, the council may not  
23 award a pilot project grant if the grant would displace money avail-  
24 able through existing public or private training programs.

25 (c) The Department of Community and Regional Affairs shall pro-  
26 vide administrative support to the council to administer the program.  
27 To provide administration of the program, the council may use the  
28 administrative entities of the substate service delivery areas estab-  
29 lished for the council.

1 (d) The council shall annually provide the department with  
2 financial and performance reporting on the activities of the program  
3 and recommendations concerning continuation of funding.

4 Sec. 23.21.080. DEFINITIONS. In this chapter,

5 (1) "council" means the State Job Training Coordinating Council  
6 established in the Department of Community and Regional Affairs under  
7 29 U.S.C. 1532 and Administrative Order Number 74 of the governor;

8 (2) "department" means the Department of Labor;

9 (3) "program" means the <sup>state TRAINING Employment</sup>  
~~employment assistance and training~~  
10 program established under this chapter; and

11 (4) "substate service delivery areas" means those areas desig-  
12 nated by the governor under 29 U.S.C. 1532.

13 Sec. 23.21.090. SHORT TITLE. This chapter may be cited as the  
14 <sup>STATE TRAINING Employment</sup>  
~~Alaska Employment Assistance and Training~~ Program Act.

15 \* Sec. 3. AS 23.21.010, 23.21.020, 23.21.030, 23.21.040, 23.21.050,  
16 23.21.060, 23.21.070, 23.21.080, and 23.21.090 are repealed.

17 \* Sec. 4. Sections 1 and 2 of this Act take effect July 1, 1989.

18 \* Sec. 5. Section 3 of this Act takes effect July 1, 1991.



## State of Alaska

Department of Community and Regional Affairs

David G. Hoffman, Commissioner

P.O. Box B

Juneau, Alaska 99811

(907) 465-4700

## MEDIA RELEASE

Rural Development Division  
Release Date: 3-3-89; For Immediate Release

Contact: Bill Mailer  
Phone: (907) 563-1955

**Subject: Governor's Bill Would Create New Employment Assistance and Job Training Opportunities**

Alaskans who are having difficulty finding jobs will get some additional help from the state if a bill introduced by Governor Steve Cowper is approved by the Legislature. Senate Bill 191 proposes the creation of a new state program designed to work alongside existing federal programs which provide employment assistance and job training. The Governor first proposed the job training initiative in a speech last month at a private industry conference in Anchorage. "We would take a small percentage of the dollars that employees pay into the State Unemployment Insurance System, about \$2.5 million a year, and we're going to take some of this money and create a job training program with it. We think it's wise to do that; we think it's a good use of that money." Cowper said. The program would operate initially for two years on a pilot-program basis.

Because the new job training program would be state-funded, it could be customized to better reflect the actual needs of Alaskan workers and the special conditions of Alaska's economy and work place. Many Alaskans who are not eligible to participate in the existing federal programs would be eligible to participate in the more flexible state program proposed in the bill.

- more -

The new program would not require the use of any new general funds. Instead the program would be funded by using a small fraction of the unemployment taxes which employees pay into the state's unemployment insurance fund. If the concept works as planned, the increase in job training will help more Alaskans find jobs and reduce the number of people on the unemployment roles. The reduction in unemployment payments is expected to more than offset the cost of the job training programs and would result in a net gain for the state's unemployment insurance fund.

The new state-funded job training program would be administered by the State Job Training Coordinating Council which oversees the existing federally-funded job training programs. The Council will award grants to one or more entities which provide employment assistance and job training services. To avoid duplication of services, the bill permits the Council to award the new state-funded grants only to those service providers which would not replace or compete in any way with existing job training programs.

As specified in the bill, the services provided by the new state job training program can include industry-specific training, on-the-job-training, job-related classroom training, relocation assistance, living allowance while in training, and the provision of necessary tools and other necessities required to obtain or retain employment. Each year, based on studies of unemployment conditions and industrial projections, the state program will focus its funding on training projects and services which most directly address actual Alaskan job training and employment service needs.

- end -



STATE OF ALASKA  
1989 LEGISLATIVE SESSION

BILL VERSION : CSSB 191 (C&RA)

PUBLISH DATE : \_\_\_\_\_

FISCAL NOTE

REQUEST:

Revision Date: \_\_\_\_\_  
 Title: "An Act relating to employment  
 contributions...and training programs"  
 Sponsor: Rules Committee  
 Requestor: Senate Community & Regional  
 Affairs

Agency Affected: Labor  
 BRU: Employment Security  
 Components: \_\_\_\_\_  
Unemployment Insurance

EXPENDITURES/REVENUES: (Thousands of Dollars)

| OPERATING         | FY 89 | FY 90   | FY 91   | FY 92 | FY 93 | FY 94 |
|-------------------|-------|---------|---------|-------|-------|-------|
| PERSONAL SERVICES |       | 55.0    | 9.6     |       |       |       |
| TRAVEL            |       |         |         |       |       |       |
| CONTRACTUAL       |       | 1,725.0 | 2,580.4 |       |       |       |
| SUPPLIES          |       |         |         |       |       |       |
| EQUIPMENT         |       |         |         |       |       |       |
| LAND&STRUCTURES   |       |         |         |       |       |       |
| GRANTS,CLAIMS     |       |         |         |       |       |       |
| MISCELLANEOUS     |       |         |         |       |       |       |
| TOTAL OPERATING   | 0.0   | 1,780.0 | 2,590.0 | 0.0   | 0.0   | 0.0   |
| CAPITAL           |       |         |         |       |       |       |
| REVENUE           | 0.0   | 1,780.0 | 2,590.0 | 0.0   | 0.0   | 0.0   |

FUNDING: (Thousands of Dollars)

|               |     |         |         |     |     |     |
|---------------|-----|---------|---------|-----|-----|-----|
| GENERAL FUND  |     | 1,780.0 | 2,590.0 |     |     |     |
| FEDERAL FUNDS |     |         |         |     |     |     |
| OTHER         |     |         |         |     |     |     |
| TOTAL         | 0.0 | 1,780.0 | 2,590.0 | 0.0 | 0.0 | 0.0 |

POSITIONS:

|           |  |  |  |  |  |  |
|-----------|--|--|--|--|--|--|
| FULL-TIME |  |  |  |  |  |  |
| PART-TIME |  |  |  |  |  |  |
| TEMPORARY |  |  |  |  |  |  |

ANALYSIS: (Attach a separate page if necessary)

See Attached

Prepared by: Judy Knight, Deputy Director  
 Division: Employment Security Division

Phone : 465-2700

Date : 3/21/89

Approved by Commissioner: Jim Sampson  
 Agency: Department of Labor

Date: 3/21/89

Distribution (by preparer) :  
 Legislative Finance  
 Legislative Sponsor  
 Requestor  
 Office of Management and Budget  
 Impacted Agency(ies)

Fiscal Note Analysis  
for

"An Act relating to employment contributions...and training..."

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

Revenue calculations for FY 90 and FY 91 are as follows:

|  | <u>FY 90 Revenues</u> | <u>FY 91 Revenues</u> |
|--|-----------------------|-----------------------|
| Estimated taxable wages  | \$2,559,000.0         | \$2,727,000.0         |
| Less one quarter for effective date of July 1, 1989                    | (683,000.0)           |                       |
| Multiply difference by one-tenth of 1% to arrive at estimated revenues | \$1,876.0             | \$2,727.0             |
| Adjust for 95% collection rate   | <u>(92.0)</u>         | <u>(137.0)</u>        |
| <u>Estimated total revenues available</u>                              | \$1,780.0             | \$2,590.0             |

Except for the \$55.0 needed by the department to cover administrative costs, the revenues deposited to the state training and employment program account would be transferred to the Department of Community & Regional Affairs for disbursement.

During the first year the department's automated accounting system would have to be modified to allow the separate accounting of these revenues. This would be needed due to the federal requirement that funds such as these not be mixed with U.I. trust fund monies. We estimate the one time cost of this conversion to be \$45.4 of analyst/programmer time for the Unemployment Insurance program.

Also, costs of \$9.6 would be required in staff time during both years to separately account for and transfer this money.

Assumptions:

1. Effective date of July 1, 1989.
2. Pilot program would last for two years.

## FISCAL NOTE

**REQUEST:**

Revision Date: \_\_\_\_\_  
 Title: Employment Training & Assistance  
 Program \_\_\_\_\_  
 Sponsor: Rules Committee  
 Requestor: Governor

Agency Affected: Community & Regional Affairs  
 BRU: Job Training Partnership Act  
 Components: Governor's Training, Training and Energy Field Office

**EXPENDITURES/REVENUES:** (Thousands of Dollars)

| OPERATING              | FY 89 | FY 90  | FY 91  | FY 92 | FY 93 | FY 94 |
|------------------------|-------|--------|--------|-------|-------|-------|
| PERSONAL SERVICES      |       | 92.0   | 136.8  |       |       |       |
| TRAVEL                 |       | 11.7   | 13.5   |       |       |       |
| CONTRACTUAL            |       | 18.0   | 26.2   |       |       |       |
| SUPPLIES               |       | 2.0    | .6     |       |       |       |
| EQUIPMENT              |       | 3.5    | 0      |       |       |       |
| LAND & STRUCTURES      |       | 0      | 0      |       |       |       |
| GRANTS, CLAIMS         |       | 1597.8 | 2403.3 |       |       |       |
| MISCELLANEOUS          |       | 0      | 0      |       |       |       |
| <b>TOTAL OPERATING</b> | 0     | 1725.0 | 2580.4 | N/A   | N/A   | N/A   |
| <b>CAPITAL</b>         |       |        |        |       |       |       |
| <b>REVENUE</b>         |       |        |        |       |       |       |

**FUNDING:** (Thousands of Dollars)

|               |   |         |         |     |     |     |
|---------------|---|---------|---------|-----|-----|-----|
| GENERAL FUND  | 0 |         |         |     |     |     |
| FEDERAL FUNDS |   |         |         |     |     |     |
| OTHER         |   | 1725.0* | 2580.4* |     |     |     |
| <b>TOTAL</b>  | 0 | 1725.0  | 2580.4  | N/A | N/A | N/A |

**POSITIONS:**

|           |   |   |   |     |     |     |
|-----------|---|---|---|-----|-----|-----|
| FULL-TIME | 0 | 2 | 2 | N/A | N/A | N/A |
| PART-TIME |   |   |   |     |     |     |
| TEMPORARY |   |   |   |     |     |     |

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

\*Interagency receipts from the Department of Labor. This Fiscal Note authorizes receipt and expenditure of these funds.  
 (See attached Fiscal Note Analysis).

Prepared by: *Maer Glin*  
 Division: Rural Development Division

Phone: 465-4890  
 Date: 3-21-89

Approved by Commissioner: *David P. Bellman*  
 Agency: Community & Regional Affairs

Date: 3-21-89

Distribution (by preparer):

- Legislative Finance
- Legislative Sponsor
- Requestor
- Office of Management and Budget
- Impacted Agency(ies)

State of Alaska 1989 - 16th Legislature  
First Session  
Fiscal Note Analysis

Title: Alaskan Employment  
Training Assistance Program

Page 2 of 5

Assumptions Funds will be passed through the Department of Community and Regional Affairs with oversight provided by the Alaska State Job Training Coordinating Council. The intent of this bill would also provide for a proportionate pass through of grant funds to the established Service Delivery Areas (the administrative/granting entities established under the Job Training Partnership Act.) One of the three established SDA's within the State, the Statewide SDA, is also organized and functional within the Rural Development Division, Department of Community and Regional Affairs. This analysis therefore reflects both of these functions within this Department. The expenditures indicated on page I for personal services, travel, contractual, supplies and equipment reflect a 2.5% level of administrative support for the statewide office and a 12.5% level of administrative support for the Service Delivery Area.

Federal JTPA funds are dedicated to the administration of JTPA programs and cannot be used for the administration of State funded job training programs. Certain prudent and minimal administrative effort must be made to assure that the funds are expended appropriately by the service agencies.

Program Summary At the State office (JTPO) level, the requested administrative funds will be used to provide contract and grant administration necessary to assure the funds are expended appropriately. Oversight and monitoring, both on-sight and at desk will be provided. Participants will be tracked and accounted for through modification to the JTPA Participant Management Information System. Technical assistance will be provided to service providing agencies. General program administration including generation of required fiscal and participant reports will be provided.

At the Service Delivery Area level 85% of funds will be directly granted to eligible training projects. The minimal administrative support requested is necessary to initiate program implementation which would include the planning and design work, outreach and promotion, the solicitation process, grant negotiation and writing, grant monitoring, technical assistance and oversight, participant outreach and recruitment, financial accountability, staff training, and program assessment and evaluation. Program services and administration will be integrated into the existing SDA administrative structure, which utilizes five field offices, a small central support office and support for a Private Industry Council.

Positions Two new positions (a 7 months equivalent within the Governors Training Component and one within the Training and Energy Field Office component, JTPA BRU) are requested (See attached Request for New Position Form). Within the Training and Energy Field Office component some additional support (calculated on a conservative pro-rata basis) in personal services for established personnel is also requested by 1991. This would cover approximately 20% of the SDA manager, 20% of one Clerk Typist and 10% of a Community Development Specialist in each of the field offices. (This rate is significantly less than the current charging used against the Federal JTPA program)

Other Expenditures Modification of the existing JTPA Participant Management Information System will be needed to track and account for program participants. Estimated one-time cost is \$4,500. Travel for the JTPO office is estimated at \$1,700, while the Statewide SDA will require an estimated \$10,000 in consideration of the cost of rural travel. Other contractual costs will include fiscal support costs, program marketing and promotion, data base maintenance under the equipment maintenance agreement, phone, copier, printing, and basic supplies.

For a program of this scope, there are great advantages and financial savings realized by administering it through this established Delivery System.

|   |                           |                              |                          |                          |
|---|---------------------------|------------------------------|--------------------------|--------------------------|
| Position Title<br><b>Grants Administrator</b> |                           | No. of Positions<br><b>1</b> | Range/Step<br><b>17A</b> | Barg. Unit<br><b>GGU</b> |
| Time Status<br><b>Full Time</b>               | Staff Months<br><b>12</b> | Location<br><b>Anchorage</b> |                          | Election District        |
| Type of Expenditure                           |                           | Amount                       |                          |                          |
| <b>1</b>                                      | <b>2</b>                  | <b>3</b>                     |                          |                          |
| Salary  | 34.7                      |                              |                          |                          |
| Benefits                                      | 10.5                      |                              |                          |                          |
| Premium Pay                                   | 0                         |                              |                          |                          |
| Other   | 0                         |                              |                          |                          |
| <b>Total Personal Services</b>                |                           | <b>45.2</b>                  |                          |                          |
| Travel  |                           | 1.7                          |                          |                          |
| Contractual                                   |                           | 11.0                         |                          |                          |
| Commodities                                   |                           | 1.5                          |                          |                          |
| Equipment                                     |                           | 3.5                          |                          |                          |
| Other   |                           | 0                            |                          |                          |
| <b>Total Cost</b>                             |                           | <b>62.7</b>                  |                          |                          |
| Funding Source for Total Cost                 |                           |                              |                          |                          |
| Federal Receipts                              | 1002                      | 19.6                         |                          |                          |
| G. F. Match                                   | 1003                      |                              |                          |                          |
| General Fund                                  | 1004                      |                              |                          |                          |
| I-A Receipts                                  | 1006                      | 43.1                         |                          |                          |
| CIP Receipts                                  | 1061                      |                              |                          |                          |
| Other   |                           |                              |                          |                          |

Justification Funds will be passed through the Department of Community & Regional Affairs with oversight provided by the Alaska State Job Training Coordinating Council. Federal JTPA funds are dedicated to the administration of the JTPA programs and cannot be used for the administration of State funded job training programs. Certain prudent and minimal administrative effort must be made to assure that the funds are expended appropriately by the service agencies.

At the present time staff in the central JTPA administrative office are occupied with administrat- ing the Job Training Partnership Act. The addition of new administrative responsibilities require the addition of an additional position to do the work. A Grants Administrator position is needed at range 17 step A. Approximately 7 months of this person's time will be charged to this new program.

This position will be used to provide contract and grant administration necessary to assure the funds are expended appropriately. Oversight and monitor- ing both on-site and at desk will be provided. Participants will be tracked and accounted for through modification to the JTPA Participant Man- agement Information System. Technical assistance will be provided to service providing agencies. General program administration including generation

of required fiscal, participant, and performance reports will be provided.

**Request For  
New Position**

Agency Community & Regional Affairs  
 BRU Job Training Partnership Act  
 Component Governors Training

Page 4 of 5  
 Revised Date

**FY 90**



# **CORRECTION**

**THIS DOCUMENT  
HAS BEEN REPHOTOGRAPHED  
TO ASSURE LEGIBILITY**

|   |                           |                              |                          |                          |
|---|---------------------------|------------------------------|--------------------------|--------------------------|
| Position Title<br><b>Grants Administrator</b> |                           | No. of Positions<br><b>1</b> | Range/Step<br><b>17A</b> | Barg. Unit<br><b>GGU</b> |
| Time Status<br><b>Full Time</b>               | Staff Months<br><b>12</b> | Location<br><b>Juneau</b>    |                          | Election District        |
| Type of Expenditure                           |                           | Amount                       |                          |                          |
| <b>1</b>                                      | <b>2</b>                  | <b>3</b>                     |                          |                          |
| Salary  | 34.7                      |                              |                          |                          |
| Benefits                                      | 10.5                      |                              |                          |                          |
| Premium Pay                                   | 0                         |                              |                          |                          |
| Other   | 0                         |                              |                          |                          |
| Total Personal Services                       |                           | 45.2                         |                          |                          |
| Travel  |                           | 5.0                          |                          |                          |
| Contractual                                   |                           | 2.5                          |                          |                          |
| Commodities                                   |                           | .5                           |                          |                          |
| Equipment                                     |                           | 0                            |                          |                          |
| Other   |                           |                              |                          |                          |
| Total Cost                                    |                           | 53.2                         |                          |                          |
| Funding Source for Total Cost                 |                           |                              |                          |                          |
| Federal Receipts                              | 1002                      |                              |                          |                          |
| G. F. Match                                   | 1003                      |                              |                          |                          |
| General Fund                                  | 1004                      |                              |                          |                          |
| I-A Receipts                                  | 1006                      | 53.2                         |                          |                          |
| CIP Receipts                                  | 1061                      |                              |                          |                          |
| Other   |                           |                              |                          |                          |
|   |                           |                              |                          |                          |
|   |                           |                              |                          |                          |

Justification As the intent of this program is to pass on funds for employment and training grants to existing administrative entities, the Alaska Statewide SDA as organized within Community & Regional Affairs would be one such entity. The SDA is established in the Training/Energy Field Office component within the JTPA BRU.

As with the State office, the federal JTPA funds cannot be used to support State activity within the SDA. While the Statewide SDA will utilize its Field Office network to implement this program, an additional Central Office position is necessary to oversee the development of the grant solicitation, internal procedures for accounting, MIS, Monitoring, reporting, subgrant management and evaluation of this program. These new administrative responsibilities will require the addition of a Grants Administrator position, range 17 step A to the central administrative office in Juneau.

**Request For  
New Position**

Agency Community & Regional Affairs  
 BRU Job Training  
 Component Training/Energy Field Office

**FY 90**

Page 5 of 5  
 Revised Date



# Alaska State Legislature

Senator Mike Szymanski

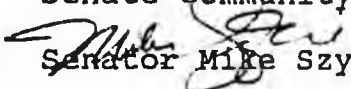
While in Session:  
P.O. Box V  
State Capitol, Room 11  
Juneau, Alaska 99811  
(907) 465-4978/4979  
FAX (907) 465-2652

During Interim:  
3111 C Street, Suite 510  
Anchorage, Alaska 99503  
(907) 561-7617

165 E. Parks Highway  
Legislative Information Office  
Wasilla, Alaska 99687  
(907) 376-MIKE

## MEMORANDUM

TO: Senator Al Adams  
Chair  
Senate Community and Regional Affairs Committee

FROM:  Senator Mike Szymanski

DATE: March 21, 1989

SUBJECT: Proposed CS for SB191. an Act relating to employment contributions and to the establishment of employment and training programs

The purpose of this memo is to outline the proposed changes to this Bill.

1) The renaming of the program from "State Employment and Training Program" to "State Training and Employment Program (STEP)" is a cosmetic change which allows for a acronym which sounds positive in nature.

2) The duties of the Department of Labor were restricted to awarding a grant to the State Job Training Coordinating Council. This was accomplished by changing page 4, line 19-22 by eliminating the wording: "(2) other qualified training entities to provide services listed in AS 23.21.050."

Note: This change was done to ensure all grants would go through the Community and Regional Affairs Department SJTCC, thus, eliminating the potential of both Department of Labor and Department of Community and Regional Affairs from being in a position of authorizing and operating Employment and Training Programs. The current Federal funded programs are under CR&A and as such it would not serve the State's interest to now fragment the efforts by having the employment and training programs split between departments.

It would be noted Section 23.21.060(b), page 4, lines 23-29 allows the Department of Labor significant control over the types of programs to be operated by this SJTCC and also that there is significant labor representation on the SJTCC to ensure their concerns are addressed.

Senate District E

Senator Al Adams  
March 21, 1989

3) A new provision was added to the bill which would allow the Department to establish eligibility criteria for programs operated under this act.

It was felt this act should include such authorization to eliminate court challenges in the future by those who maybe restricted entrance into programs.

# Alaska State Legislature

Al Adams  
District L

WHILE IN SESSION  
P.O. Box V  
State Capitol  
Juneau, Alaska 99801  
(907) 465-3707

OUT OF SESSION  
P.O. Box 333  
Kotzebue, Alaska 99752  
(907) 442-3245

311 C Street  
Anchorage, Alaska 99503  
(907) 561-7622



Official Business

## MEMORANEUM

To: Senator Drue Pearce  
Senate C&RA Committee

From: Senator Al Adams *AOA*  
Chairman  
Senate C&RA Committee

Date: March 15, 1989

Subj: Fiscal Notes SB 191

I understand that at the 3/14/89 Senate Community & Regional Affairs Committee meeting there was considerable discussion regarding the fiscal notes presented by the Department of Labor (DOL) and the Department of Community & Regional Affairs (DCRA). Specifically, you were concerned that the fiscal notes appear to "double count" funds appropriated from the Employment Assistance and Training Program Account of the general fund.

I have reviewed these fiscal notes and, aside from some question as to the necessity of approving all the administrative costs shown, believe they are in order.

The apparent "double counting" arises from the transfer by Reimbursable Services Agreement (RSA) of the grant funds and grant administrative/oversight funds from the Department of Labor to the Department of Community & Regional Affairs. These "other" funds should more correctly be identified as interagency receipts on the DCRA fiscal note.

The general fund request occurs only once and will be shown only once on the master fiscal note list compiled by the Division of

Legislative Finance. The interagency receipts will be included under the column marked "all funds" on the master list and will have no impact whatsoever on the general fund. I have attached a copy of the 3/15/89 fiscal note master list for your review. Since only fiscal notes approved by either the House or Senate Finance Committees appear on this list, SB 191 is not yet included. The master list is reviewed by the Chairs of the Senate and House Finance Committees regularly and is subject to revision by the budget conference committee prior to inclusion in the General Appropriations Act under the "new legislation" section.

Assuming SB 191 passes the Legislature and the existing fiscal notes are approved by the conference committee, the end result will be a \$1,780,000 general fund appropriation to the Department of Labor and an appropriation of \$1,725,000 in interagency receipts to the Department of Community and Regional Affairs.

While this process appears cumbersome, it does conform to the provisions of the bill. Under SB 191, appropriations from the Employment Assistance and Training Program Account of the general fund may be appropriated to the Department of Labor to implement the provisions of the chapter. Likewise, the transfer of funds to DCRA conforms with the purposes of Sec. 23.21.070 which specifies the duties of the State Job Training Coordinating Council and provides for DCRA administrative support of the program. Joint management of the program between DOL and DCRA is an integral part of the bill.

Given the language of the bill, I believe that failure to appropriate interagency receipts to DCRA would require the departments to enter into an unbudgeted RSA to implement the program. This is contrary to sound fiscal and budgetary practices.

In the event I am unable to attend the Tuesday, March 21 Senate Community & Regional Affairs Committee hearing, I urge you to support both fiscal notes as introduced. I also suggest, however, that as a member of the Senate Finance Committee, you take a close at the administrative costs included in both fiscal notes.

If you have any additional questions, please let me know.

cc: Mr. Jim Plasman, DCRA  
Ms. Eileen Plate, DOL

STATE OF ALASKA  
1989 LEGISLATIVE SESSION

BILL VERSION: SB 191  
PUBLISH DATE: \_\_\_\_\_

FISCAL NOTE

REQUEST:

Revision Date: \_\_\_\_\_ Agency Affected: Labor  
Title: "An Act relating to employment  
contributions...and training programs" BRU: Employment Security  
Sponsor: Rules Committee Components: \_\_\_\_\_  
Requestor: Senate Community & Regional  
Affairs Unemployment Insurance

EXPENDITURES/REVENUES: (Thousands of Dollars)

| OPERATING         | FY 89 | FY 90   | FY 91   | FY 92 | FY 93 | FY 94 |
|-------------------|-------|---------|---------|-------|-------|-------|
| PERSONAL SERVICES |       | 55.0    | 9.6     |       |       |       |
| TRAVEL            |       |         |         |       |       |       |
| CONTRACTUAL       |       | 1,725.0 | 2,580.4 |       |       |       |
| SUPPLIES          |       |         |         |       |       |       |
| EQUIPMENT         |       |         |         |       |       |       |
| LAND&STRUCTURES   |       |         |         |       |       |       |
| GRANTS,CLAIMS     |       |         |         |       |       |       |
| MISCELLANEOUS     |       |         |         |       |       |       |
| TOTAL OPERATING   | 0.0   | 1,780.0 | 2,590.0 | 0.0   | 0.0   | 0.0   |
| CAPITAL           |       |         |         |       |       |       |
| REVENUE           | 0.0   | 1,780.0 | 2,590.0 | 0.0   | 0.0   | 0.0   |

FUNDING: (Thousands of Dollars)

|               |     |         |         |     |     |     |
|---------------|-----|---------|---------|-----|-----|-----|
| GENERAL FUND  |     | 1,780.0 | 2,590.0 |     |     |     |
| FEDERAL FUNDS |     |         |         |     |     |     |
| OTHER         |     |         |         |     |     |     |
| TOTAL         | 0.0 | 1,780.0 | 2,590.0 | 0.0 | 0.0 | 0.0 |

POSITIONS:

|           |  |  |  |  |  |  |
|-----------|--|--|--|--|--|--|
| FULL-TIME |  |  |  |  |  |  |
| PART-TIME |  |  |  |  |  |  |
| TEMPORARY |  |  |  |  |  |  |

ANALYSIS: (Attach a separate page if necessary)

See Attached

Prepared by: Judy Knight, Deputy Director Phone: 465-2700  
Division: Employment Security Division Date: 2/24/89  
Approved by Commissioner: Jim Sampson Date: 2/24/89  
Agency: Department of Labor

Distribution (by preparer) :  
Legislative Finance  
Legislative Sponsor  
Requestor  
Office of Management and Budget  
Impacted Agency(ies)

Fiscal Note Analysis  
for

"An Act relating to employment contributions...and training..."

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

Revenue calculations for FY 90 and FY 91 are as follows (in 000's):

|  | <u>FY 90 Revenues</u> | <u>FY 91 Revenues</u> |
|--|-----------------------|-----------------------|
| Estimated taxable wages  | \$2,559,000.0         | \$2,727,000.0         |
| Less one quarter for effective date of July 1, 1989                    | (683,000.0)           |                       |
| Multiply difference by one-tenth of 1% to arrive at estimated revenues | \$1,876.0             | \$2,727.0             |
| Adjust for 95% collection rate   | <u>(92.0)</u>         | <u>(137.0)</u>        |
| <u>Estimated total revenues available</u>                              | \$1,780.0             | \$2,590.0             |

Except for the \$55.0 needed by the department to cover administrative costs, the revenues deposited to the employment assistance and training program account would be transferred to the Department of Community & Regional Affairs for disbursal.

During the first year the department's automated accounting system would have to be modified to allow the separate accounting of these revenues. This would be needed due to the federal requirement that funds such as these not be mixed with U.I. trust fund monies. We estimate the one time cost of this conversion to be \$45.4 of analyst/programmer time for the Unemployment Insurance program.

Also, costs of \$9.6 would be required in staff time during both years to separately account for and transfer this money.

Assumptions:

1. Effective date of July 1, 1989.
2. Pilot program would last for two years.

## FISCAL NOTE

**REQUEST:**

Revision Date: \_\_\_\_\_  
 Title: Employment Training & Assistance Program  
 Sponsor: Rules Committee  
 Requestor: Governor

Agency Affected: Community & Regional Affairs  
 BRU: Job Training Partnership Act  
 Components: Governor's Training, Training and Energy Field Office

**EXPENDITURES/REVENUES:** (Thousands of Dollars)

| OPERATING              | FY 89    | FY 90         | FY 91         | FY 92      | FY 93      | FY 94      |
|------------------------|----------|---------------|---------------|------------|------------|------------|
| PERSONAL SERVICES      |          | 92.0          | 136.8         |            |            |            |
| TRAVEL                 |          | 11.7          | 13.5          |            |            |            |
| CONTRACTUAL            |          | 18.0          | 26.2          |            |            |            |
| SUPPLIES               |          | 2.0           | .6            |            |            |            |
| EQUIPMENT              |          | 3.5           | 0             |            |            |            |
| LAND & STRUCTURES      |          | 0             | 0             |            |            |            |
| GRANTS, CLAIMS         |          | 1597.8        | 2403.3        |            |            |            |
| MISCELLANEOUS          |          | 0             | 0             |            |            |            |
| <b>TOTAL OPERATING</b> | <b>0</b> | <b>1725.0</b> | <b>2580.4</b> | <b>N/A</b> | <b>N/A</b> | <b>N/A</b> |

|         |  |  |  |  |  |  |
|---------|--|--|--|--|--|--|
| CAPITAL |  |  |  |  |  |  |
|---------|--|--|--|--|--|--|

|         |  |  |  |  |  |  |
|---------|--|--|--|--|--|--|
| REVENUE |  |  |  |  |  |  |
|---------|--|--|--|--|--|--|

**FUNDING:** (Thousands of Dollars)

|               |          |               |               |            |            |            |
|---------------|----------|---------------|---------------|------------|------------|------------|
| GENERAL FUND  | 0        |               |               |            |            |            |
| FEDERAL FUNDS |          |               |               |            |            |            |
| OTHER         |          | 1725.0        | 2580.4        |            |            |            |
| <b>TOTAL</b>  | <b>0</b> | <b>1725.0</b> | <b>2580.4</b> | <b>N/A</b> | <b>N/A</b> | <b>N/A</b> |

**POSITIONS:**

|           |   |   |   |     |     |     |
|-----------|---|---|---|-----|-----|-----|
| FULL-TIME | 0 | 2 | 2 | N/A | N/A | N/A |
| PART-TIME |   |   |   |     |     |     |
| TEMPORARY |   |   |   |     |     |     |

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

(see attached)

Prepared by: *Wesley C. Koffa*  
 Division: Rural Development Division

Phone: 465-4890  
 Date: 2/23/89

Approved by Commissioner: *Wesley C. Koffa*  
 Agency: Community & Regional Affairs

Date: 2-23-89

**Distribution (by preparer):**

Legislative Finance  
 Legislative Sponsor  
 Requestor  
 Office of Management and Budget  
 Impacted Agency(ies)

State of Alaska 1989 - 16th Legislature  
First Session  
Fiscal Note Analysis

Title: Alaskan Employment  
Training Assistance Program

Page 2 of 5

Assumptions Funds will be passed through the Department of Community and Regional Affairs with oversight provided by the Alaska State Job Training Coordinating Council. The intent of this bill would also provide for a proportionate pass through of grant funds to the established Service Delivery Areas (the administrative/granting entities established under the Job Training Partnership Act.) One of the three established SDA's within the State, the Statewide SDA, is also organized and functional within the Rural Development Division, Department of Community and Regional Affairs. This analysis therefore reflects both of these functions within this Department.

Presently there are no State general funds available in the JTPA BRU. Federal JTPA funds are dedicated to the administration of JTPA Programs and cannot be used for the administration of State funded job training programs. Certain prudent and minimal administrative effort must be made to assure that the funds are expended appropriately by the service agencies.

Program Summary At the State office (JTPO) level, the requested administrative funds will be used to provide contract and grant administration necessary to assure the funds are expended appropriately. Oversight and monitoring, both on-sight and at desk will be provided. Participants will be tracked and accounted for through modification to the JTPA Participant Management Information System. Technical assistance will be provided to service providing agencies. General program administration including generation of required fiscal and participant reports will be provided.

At the Service Delivery Area level approximately 87.5% of funds will be directly granted to eligible training projects. The minimal administrative support requested is necessary to initiate program implementation which would include the planning and design work, outreach and promotion, the solicitation process, grant negotiation and writing, grant monitoring, technical assistance and oversight, participant outreach and recruitment, financial accountability, staff training, and program assessment and evaluation. Program services and administration will be integrated into the existing SDA administrative structure, which utilizes five field offices, a small central support office and support for a Private Industry Council.

Positions Two new positions (a 7 months equivalent within the Governors Training Component and one within the Training and Energy Field Office component, JTPA BRU) are requested (See attached Request for New Position Form). Within the Training and Energy Field Office component some additional support (calculated on a conservative pro-rata basis) in personal services for established personnel is also requested by 1991. This would cover approximately 20% of the SDA manager, 20% of one Clerk Typist and 10% of a Community Development Specialist in each of the field offices. (This rate is significantly less than the current charging used against the Federal JTPA program)

Other Expenditures Modification of the existing JTPA Participant Management Information System will be needed to track and account for program participants. Estimated one-time cost is \$4,500. Travel for the JTPO office is estimated at \$1,700, while the Statewide SDA will require an estimated \$10,000 in consideration of the cost of rural travel. Other contractual costs will include fiscal support costs, program marketing and promotion, data base maintenance under the equipment maintenance agreement, phone, copier, printing, and basic supplies.

For a program of this scope, there are great advantages and financial savings realized by administering it through this established Delivery System.

|  |                    |                       |                   |                   |
|--|--------------------|-----------------------|-------------------|-------------------|
| Position Title<br>Grants Administrator |                    | No. of Positions<br>1 | Range/Step<br>17A | Barg. Unit<br>GGU |
| Time Status<br>Full Time               | Staff Months<br>12 | Location<br>Anchorage |                   | Election District |
| Type of Expenditure                    |                    | Amount                |                   |                   |
| 1                                      | 2                  | 3                     |                   |                   |
| Salary                                 | 34.7               |                       |                   |                   |
| Benefits                               | 10.5               |                       |                   |                   |
| Premium Pay                            | 0                  |                       |                   |                   |
| Other                                  | 0                  |                       |                   |                   |
| Total Personal Services                | 45.2               |                       |                   |                   |
| Travel                                 | 1.7                |                       |                   |                   |
| Contractual                            | 11.0               |                       |                   |                   |
| Commodities                            | 1.5                |                       |                   |                   |
| Equipment                              | 3.5                |                       |                   |                   |
| Other                                  | 0                  |                       |                   |                   |
| Total Cost                             | 62.7               |                       |                   |                   |
| Funding Source for Total Cost          |                    |                       |                   |                   |
| Federal Receipts                       | 1002               | 19.6                  |                   |                   |
| G. F. Match                            | 1003               |                       |                   |                   |
| General Fund                           | 1004               |                       |                   |                   |
| I-A Receipts                           | 1006               | 43.1                  |                   |                   |
| CIP Receipts                           | 1061               |                       |                   |                   |
| Other                                  |                    |                       |                   |                   |

Justification Funds will be passed through the Department of Community & Regional Affairs with oversight provided by the Alaska State Job Training Coordinating Council. Federal JTPA funds are dedicated to the administration of the JTPA programs and cannot be used for the administration of State funded job training programs. Certain prudent and minimal administrative effort must be made to assure that the funds are expended appropriately by the service agencies.

At the present time staff in the central JTPA administrative office are occupied with administering the Job Training Partnership Act. The addition of new administrative responsibilities require the addition of an additional position to do the work. A Grants Administrator position is needed at range 17 step A. Approximately 7 months of this person's time will be charged to this new program.

This position will be used to provide contract and grant administration necessary to assure the funds are expended appropriately. Oversight and monitoring both on-site and at desk will be provided. Participants will be tracked and accounted for through modification to the JTPA Participant Management Information System. Technical assistance will be provided to service providing agencies. General program administration including generation

of required fiscal, participant, and performance reports will be provided.

**Request For  
New Position**

Agency Community & Regional Affairs.  
BRU Job Training Partnership Act  
Component Governors Training

Page 4 of 5  
Revised Date

**FY 90**

|   |                           |                              |                          |                          |
|---|---------------------------|------------------------------|--------------------------|--------------------------|
| Position Title<br><u>Grants Administrator</u> |                           | No. of Positions<br><u>1</u> | Range/Step<br><u>17A</u> | Barg. Unit<br><u>GGU</u> |
| Time Status<br><u>Full Time</u>               | Staff Months<br><u>12</u> | Location<br><u>Juneau</u>    |                          | Election District        |
| Type of Expenditure                           |                           | Amount                       |                          |                          |
| <u>1</u>                                      | <u>2</u>                  | <u>3</u>                     |                          |                          |
| Salary  | <u>34.7</u>               |                              |                          |                          |
| Benefits                                      | <u>10.5</u>               |                              |                          |                          |
| Premium Pay                                   | <u>0</u>                  |                              |                          |                          |
| Other   | <u>0</u>                  |                              |                          |                          |
| Total Personal Services                       |                           | <u>45.2</u>                  |                          |                          |
| Travel  |                           | <u>5.0</u>                   |                          |                          |
| Contractual                                   |                           | <u>2.5</u>                   |                          |                          |
| Commodities                                   |                           | <u>.5</u>                    |                          |                          |
| Equipment                                     |                           | <u>0</u>                     |                          |                          |
| Other   |                           |                              |                          |                          |
| Total Cost                                    |                           | <u>53.2</u>                  |                          |                          |
| Funding Source for Total Cost                 |                           |                              |                          |                          |
| Federal Receipts                              | <u>1002</u>               |                              |                          |                          |
| G. F. Match                                   | <u>1003</u>               |                              |                          |                          |
| General Fund                                  | <u>1004</u>               |                              |                          |                          |
| I-A Receipts                                  | <u>1006</u>               | <u>53.2</u>                  |                          |                          |
| CIP Receipts                                  | <u>1061</u>               |                              |                          |                          |
| Other   |                           |                              |                          |                          |
|   |                           |                              |                          |                          |
|   |                           |                              |                          |                          |

Justification As the intent of this program is to pass on funds for employment and training grants to existing administrative entities, the Alaska Statewide SDA as organized within Community & Regional Affairs would be one such entity. The SDA is established in the Training/Energy Field Office component within the JTPA BRU.

As with the State office, the federal JTPA funds cannot be used to support State activity within the SDA. While the Statewide SDA will utilize its Field Office network to implement this program, an additional Central Office position is necessary to oversee the development of the grant solicitation, internal procedures for accounting, MIS, Monitoring, reporting, subgrant management and evaluation of this program. These new administrative responsibilities will require the addition of a Grants Administrator position, range 17 step A to the central administrative office in Juneau.

**Request For  
New Position**

Agency Community & Regional Affairs  
 BRU Job Training  
 Component Training/Energy Field Office

**FY 90**

Page 5 of 5  
 Revised Date

STEVE COWPER  
GOVERNOR



STATE OF ALASKA  
OFFICE OF THE GOVERNOR  
JUNEAU

February 24, 1989

The Honorable Tim Kelly  
President of the Senate  
Alaska State Legislature  
P.O. Box V  
Juneau, AK 99811

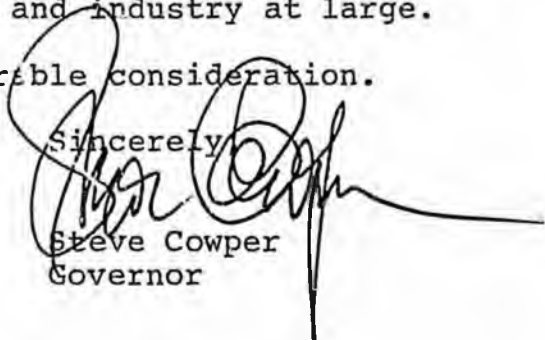
Dear Mr. President:

Under the authority of art. III, sec. 18, of the Alaska Constitution, I am transmitting a bill to create a two-year pilot project program to increase training opportunities for Alaskans severely affected by fluctuations in the Alaskan economy or by technological changes in the work place. The bill would allow the Alaska Department of Labor to award a grant to the existing State Job Training Coordinating Council to administer the program and to provide grants to qualified employment assistance and training entities, according to priorities established by the department after solicitation of comments from key organizations with experience in the training needs of the state. The department would also be authorized to award grants directly to the training entities.

The bill was designed to prevent this new state training program from competing with existing programs, and to meet current unmet training needs in the state. Additionally, the bill is designed so that the program will be funded by legislative appropriation of a small portion of the employee contribution under the current statute, earmarked for this purpose, rather than by general fund money, yet without violating the dedicated-fund prohibition in art. IX, sec. 7, of the Alaska Constitution. I view the bill as a strong step forward in allowing the state to design employee training programs to meet the needs of the employees, employers, unions, and industry at large.

I urge your prompt and favorable consideration.

Sincerely,

  
Steve Cowper  
Governor

## Senate Bill No. 191

### Proposal

Senate Bill No. 191 establishes a two-year pilot program to increase training opportunities for Alaskans whose livelihood is affected by changes in Alaska's economy or by technological changes in the workplace.

Under the bill, training programs would be funded by a small portion (0.1 percent) of employee contributions which are currently required under Alaska's unemployment insurance law. This would provide \$1,780.0 in FY 90 and \$2,590.0 in FY 91. The training programs would be closely tied to unemployment in order that the training would result in reducing unemployment insurance outlays that would otherwise occur.

### Description of Problem

Much of the unemployment Alaska is experiencing is "structural unemployment," which is being caused by basic and real changes to its economy. This causes mismatches between available workers' skills and employers' skill needs. When this occurs, workers face a different situation than they face by traditional unemployment.

A majority of the funds used for training in Alaska are from the federal Job Training Partnership Act, Carl D. Perkins monies, or other designated federal funds with specific qualifying provisions. The Federal Government places certain restrictions on the use of these funds, which makes a segment of the state's unemployed or minimally employed workers ineligible to participate in these programs. The use of non-federal monies to fund state

job training programs is required to provide more flexibility in structuring programs in the best interest of Alaska's employers and residents.

Inasmuch as State General Fund monies are scarce, the Department feels that other financing methods needed to be explored; and Senate Bill No. 191 offers another way to fund state job training programs. The funding mechanism proposed will permit training programs to be matched to Alaska's employment needs, not constrained by inappropriate federal restrictions and guidelines.

## FISCAL NOTE

**REQUEST:**

Revision Date: \_\_\_\_\_  
 Title: Employment Training & Assistance Program  
 Sponsor: Rules Committee  
 Requestor: Governor

Agency Affected: Community & Regional Affairs  
 BRU: Job Training Partnership Act

Components: Governor's Training, Training and Energy Field Office

**EXPENDITURES/REVENUES:** (Thousands of Dollars)

| OPERATING              | FY 89    | FY 90         | FY 91         | FY 92      | FY 93      | FY 94      |
|------------------------|----------|---------------|---------------|------------|------------|------------|
| PERSONAL SERVICES      |          | 92.0          | 136.8         |            |            |            |
| TRAVEL                 |          | 11.7          | 33.5          |            |            |            |
| CONTRACTUAL            |          | 18.0          | 26.2          |            |            |            |
| SUPPLIES               |          | 2.0           | .6            |            |            |            |
| EQUIPMENT              |          | 3.5           | 0             |            |            |            |
| LAND & STRUCTURES      |          | 0             | 0             |            |            |            |
| GRANTS, CLAIMS         |          | 1597.8        | 2403.3        |            |            |            |
| MISCELLANEOUS          |          | 0             | 0             |            |            |            |
| <b>TOTAL OPERATING</b> | <b>0</b> | <b>1725.0</b> | <b>2580.4</b> | <b>N/A</b> | <b>N/A</b> | <b>N/A</b> |
| <b>CAPITAL</b>         |          |               |               |            |            |            |
| <b>REVENUE</b>         |          |               |               |            |            |            |

**FUNDING:** (Thousands of Dollars)

|               |          |               |               |            |            |            |
|---------------|----------|---------------|---------------|------------|------------|------------|
| GENERAL FUND  | 0        |               |               |            |            |            |
| FEDERAL FUNDS |          |               |               |            |            |            |
| OTHER         |          | 1725.0        | 2580.4        |            |            |            |
| <b>TOTAL</b>  | <b>0</b> | <b>1725.0</b> | <b>2580.4</b> | <b>N/A</b> | <b>N/A</b> | <b>N/A</b> |

**POSITIONS:**

|           |   |   |   |     |     |     |
|-----------|---|---|---|-----|-----|-----|
| FULL-TIME | 0 | 2 | 2 | N/A | N/A | N/A |
| PART-TIME |   |   |   |     |     |     |
| TEMPORARY |   |   |   |     |     |     |

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

(see attached)

Prepared by: *Alan Olson* Phone: 465-4890  
 Division: Rural Development Division Date: 2/03/89  
 Approved by Commissioner: *Walter C. Kelly* Date: 2-23-89  
 Agency: Community & Regional Affairs

**Distribution (by preparer):**

- Legislative Finance
- Legislative Sponsor
- Requestor
- Office of Management and Budget
- Impacted Agency(ies)

State of Alaska 1989 - 16th Legislature  
First Session  
Fiscal Note Analysis

Title: Alaskan Employment  
Training Assistance Program

Page 2 of 5

Assumptions Funds will be passed through the Department of Community and Regional Affairs with oversight provided by the Alaska State Job Training Coordinating Council. The intent of this bill would also provide for a proportionate pass through of grant funds to the established Service Delivery Areas (the administrative/granting entities established under the Job Training Partnership Act.) One of the three established SDA's within the State, the Statewide SDA, is also organized and functional within the Rural Development Division, Department of Community and Regional Affairs. This analysis therefore reflects both of these functions within this Department.

Presently there are no State general funds available in the JTPA BRU. Federal JTPA funds are dedicated to the administration of JTPA Programs and cannot be used for the administration of State funded job training programs. Certain prudent and minimal administrative effort must be made to assure that the funds are expended appropriately by the service agencies.

Program Summary At the State office (JTPO) level, the requested administrative funds will be used to provide contract and grant administration necessary to assure the funds are expended appropriately. Oversight and monitoring, both on-sight and at desk will be provided. Participants will be tracked and accounted for through modification to the JTPA Participant Management Information System. Technical assistance will be provided to service providing agencies. General program administration including generation of required fiscal and participant reports will be provided.

At the Service Delivery Area level approximately 87.5% of funds will be directly granted to eligible training projects. The minimal administrative support requested is necessary to initiate program implementation which would include the planning and design work, outreach and promotion, the solicitation process, grant negotiation and writing, grant monitoring, technical assistance and oversight, participant outreach and recruitment, financial accountability, staff training, and program assessment and evaluation. Program services and administration will be integrated into the existing SDA administrative structure, which utilizes five field offices, a small central support office and support for a Private Industry Council.

Positions Two new positions (a 7 months equivalent within the Governors Training Component and one within the Training and Energy Field Office component, JTPA BRU) are requested (See attached Request for New Position Form). Within the Training and Energy Field Office component some additional support (calculated on a conservative pro-rata basis) in personal services for established personnel is also requested by 1991. This would cover approximately 20% of the SDA manager, 20% of one Clerk Typist and 10% of a Community Development Specialist in each of the field offices. (This rate is significantly less than the current charging used against the Federal JTPA program)

Other Expenditures Modification of the existing JTPA Participant Management Information System will be needed to track and account for program participants. Estimated one-time cost is \$4,500. Travel for the JTPO office is estimated at \$1,700, while the Statewide SDA will require an estimated \$10,000 in consideration of the cost of rural travel. Other contractual costs will include fiscal support costs, program marketing and promotion, data base maintenance under the equipment maintenance agreement, phone, copier, printing, and basic supplies.

For a program of this scope, there are great advantages and financial savings realized by administering it through this established Delivery System.

|                                     |                 |                    |                |                   |
|-------------------------------------|-----------------|--------------------|----------------|-------------------|
| Position Title Grants Administrator |                 | No. of Positions 1 | Range/Step 17A | Barg. Unit GCU    |
| Time Status Full Time               | Staff Months 12 | Location Anchorage |                | Election District |
| Type of Expenditure                 |                 | Amount             |                |                   |
| 1                                   | 2               | 3                  |                |                   |
| Salary                              | 34.7            |                    |                |                   |
| Benefits                            | 10.5            |                    |                |                   |
| Premium Pay                         | 0               |                    |                |                   |
| Other                               | 0               |                    |                |                   |
| Total Personal Services             |                 | 45.2               |                |                   |
| Travel                              |                 | 1.7                |                |                   |
| Contractual                         |                 | 11.0               |                |                   |
| Commodities                         |                 | 1.5                |                |                   |
| Equipment                           |                 | 3.5                |                |                   |
| Other                               |                 | 0                  |                |                   |
| Total Cost                          |                 | 62.7               |                |                   |
| Funding Source for Total Cost       |                 |                    |                |                   |
| Federal Receipts                    | 1002            | 19.6               |                |                   |
| G. F. Match                         | 1003            |                    |                |                   |
| General Fund                        | 1004            |                    |                |                   |
| I-A Receipts                        | 1006            | 43.1               |                |                   |
| CIP Receipts                        | 1061            |                    |                |                   |
| Other                               |                 |                    |                |                   |

Justification Funds will be passed through the Department of Community & Regional Affairs with oversight provided by the Alaska State Job Training Coordinating Council. Federal JTPA funds are dedicated to the administration of the JTPA programs and cannot be used for the administration of State funded job training programs. Certain prudent and minimal administrative effort must be made to assure that the funds are expended appropriately by the service agencies.

At the present time staff in the central JTPA administrative office are occupied with administering the Job Training Partnership Act. The addition of new administrative responsibilities require the addition of an additional position to do the work. A Grants Administrator position is needed at range 17 step A. Approximately 7 months of this person's time will be charged to this new program.

This position will be used to provide contract and grant administration necessary to assure the funds are expended appropriately. Oversight and monitoring both on-site and at desk will be provided. Participants will be tracked and accounted for through modification to the JTPA Participant Management Information System. Technical assistance will be provided to service providing agencies. General program administration including generation

of required fiscal, participant, and performance reports will be provided.

**Request For  
New Position**

Agency Community & Regional Affairs.  
 BRU Job Training Partnership Act  
 Component Governors Training

**FY 90**

Page 4 of 5  
 Revised Date





"A Partnership Putting Alaskans to Work"

P.O. Box BC, Juneau, Alaska 99811

Phone: (907) 465-4890

March 7, 1989

State of Alaska  
Senate  
Community and Regional Affairs Committee

RE: Senate Bill 191

Honorable Senators:

On February 15, 1989 the Alaska Statewide Private Industry Council met in Anchorage. Representatives from the Department of Labor discussed with the Council proposed legislation to create a two-year pilot employment and training program, funded through contributions and credits to the unemployment insurance trust fund. As a result of this discussion, the Council has endorsed the legislation, now introduced as Senate Bill 191.

The Council provides policy guidance and oversight for federally funded Job Training Partnership Act (JTPA) programs throughout rural Alaska. We are pleased to see efforts by the state to supplement these federal dollars. We believe that the programs created by SB 191 would be compatible with our existing JTPA programs, consistent with JTPA intent and goals adopted by the Council, and could be effectively and efficiently administered through the current delivery system.

We appreciate this opportunity to express support for SB 191 and urge your favorable consideration.

Sincerely,

A handwritten signature in cursive script, appearing to read "J. Pennelope Goforth".

J. Pennelope Goforth  
Chair



## North & Northwest Mayor's Conference

P.O. Box 68  
Unalakleet, Alaska 99884



President: Albert Washington (907) 923-3771  
Secretary: Robert Foote (907) 624-3655

### RESOLUTION NO. 89 - 10

Second Session of the Ninth Annual  
NORTH AND NORTHWEST ALASKA MAYORS' CONFERENCE  
Unalakleet, Alaska  
February 9 & 10, 1989

A RESOLUTION OF THE NORTH AND NORTHWEST ALASKA MAYORS' CONFERENCE REGARDING SUPPORTING GOVERNOR COWPER'S PROPOSAL TO ESTABLISH A PROGRAM TO HELP TRAIN UNEMPLOYED AND UNDEREMPLOYED ALASKANS FOR RE-ENTRY INTO THE LABOR FORCE.

WHEREAS, the North and Northwest Alaska Mayors' Conference is an organization established to promote the social and economic well being of its member communities and the people of the region; and

WHEREAS, the percentage of unemployed and underemployed Alaskans in the Northwest region is 80% to 90%; and

WHEREAS, these unemployed and underemployed Alaskans often could re-enter the labor force if they had access to training that addresses regionally viable economic development projects; and

WHEREAS, Governor Cowper's proposed Alaskan Employment Training Assistance Program would help train eligible unemployed and underemployed Alaskans for re-entry into the labor force; and

WHEREAS, this program would have no impact upon the State's general fund as it would be funded through the Unemployment Insurance Trust Fund; and

WHEREAS, the Program would ultimately reduce the demands on the Unemployed Trust Fund by training and placing individuals currently drawing unemployment insurance benefits, among other services and benefits; and

WHEREAS, the services to be provided would include those types currently offered under the Job Training Partnership Act (JTPA) programs and would be provided through the existing JTPA service delivery system administered by the Department of Community and Regional Affairs; and

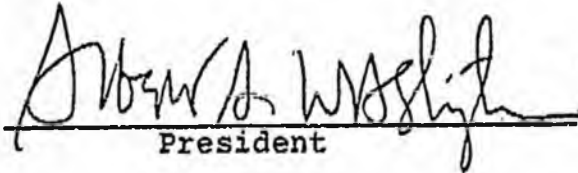
WHEREAS, this delivery system is centered within the regional communities, thereby ensuring local access, local control and involvement of locally viable economic development projects.

RESOLUTION NO. 89-10

Page 2

NOW THEREFORE BE IT RESOLVED BY THE NORTH AND NORTHWEST ALASKA MAYORS' CONFERENCE TO: support Governor Cowper's proposal to establish the Alaska Employment Training Assistance Program.

Passed and approved by the SECOND SESSION OF THE NINTH ANNUAL NORTH AND NORTHWEST ALASKA MAYORS' CONFERENCE THE 10th DAY OF FEBRUARY, 1989.

  
\_\_\_\_\_  
President

  
\_\_\_\_\_  
Secretary

INTRODUCED BY: Wales

VOTE: YES Unanimous

SECONDED BY: Shunqnak

NO \_\_\_\_\_

DIRECTED TO: Governor's Office

Alaska State Legislature

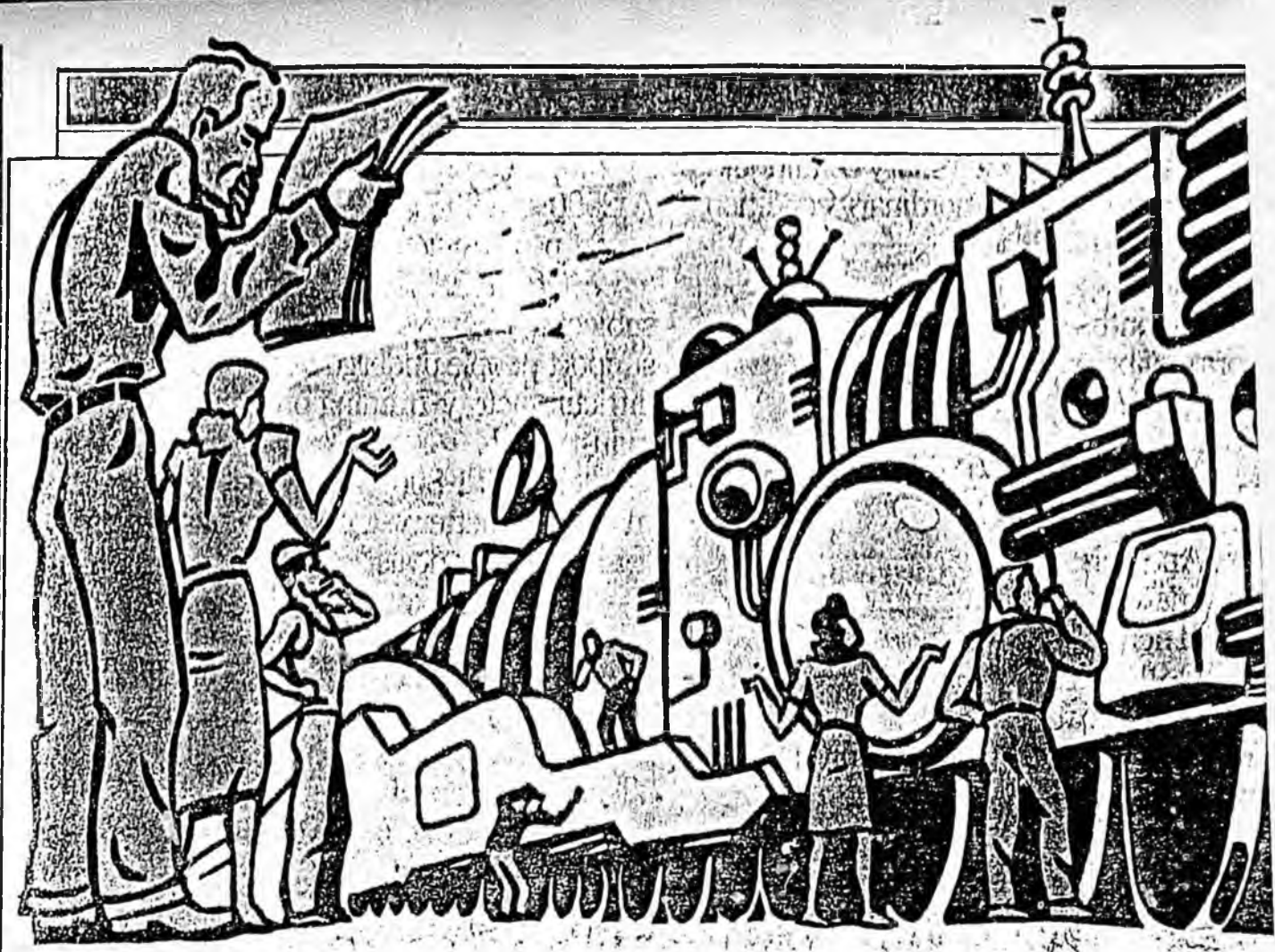
Alaska's 20 member Alaska State Job Training Coordinating Council was appointed by Governor Steve Cowper to advise him on Alaska's operation of the Job Training Partnership Act. Since the Act requires the Alaska SJTCC membership to reasonably represent the population of the entire state, Governor Cowper selected members from Kotzebue, north of the Arctic Circle, to Ketchikan, the southernmost major city, a distance of about 1,400 miles.

The Alaska SJTCC does not operate JTPA programs or provide services directly. Its purpose is to plan, coordinate, and monitor the provisions of employment and training programs and services throughout Alaska, as well as to report to the Governor and the public on JTPA activities. All of the Council's plans and decisions are subject to approval by the Governor. The Council uses personnel of the Division of Rural Development, Department of Community and Regional Affairs, as its own staff in carrying out its duties.

At an August, 1988 meeting, the Council went on record as supporting legislation establishing a state-funded job training program.

The Alaska SJTCC is greatly interested in coordinating employment and training programs to reduce or eliminate duplication of effort. To this end, they are promoting a statewide employment and training policy.

The Alaska SJTCC membership, as defined by the Act, must represent four separate constituencies. These include thirty percent of the membership from business and industry, and at least thirty percent from organized labor, thirty percent from community-based organizations, and ten percent from the general public. As the law prescribes, Governor Cowper appointed a private sector chair of the Alaska SJTCC: Sarah Scanlan, Vice President, NANA Development Company, from Anchorage.



# NEEDED: HUMAN

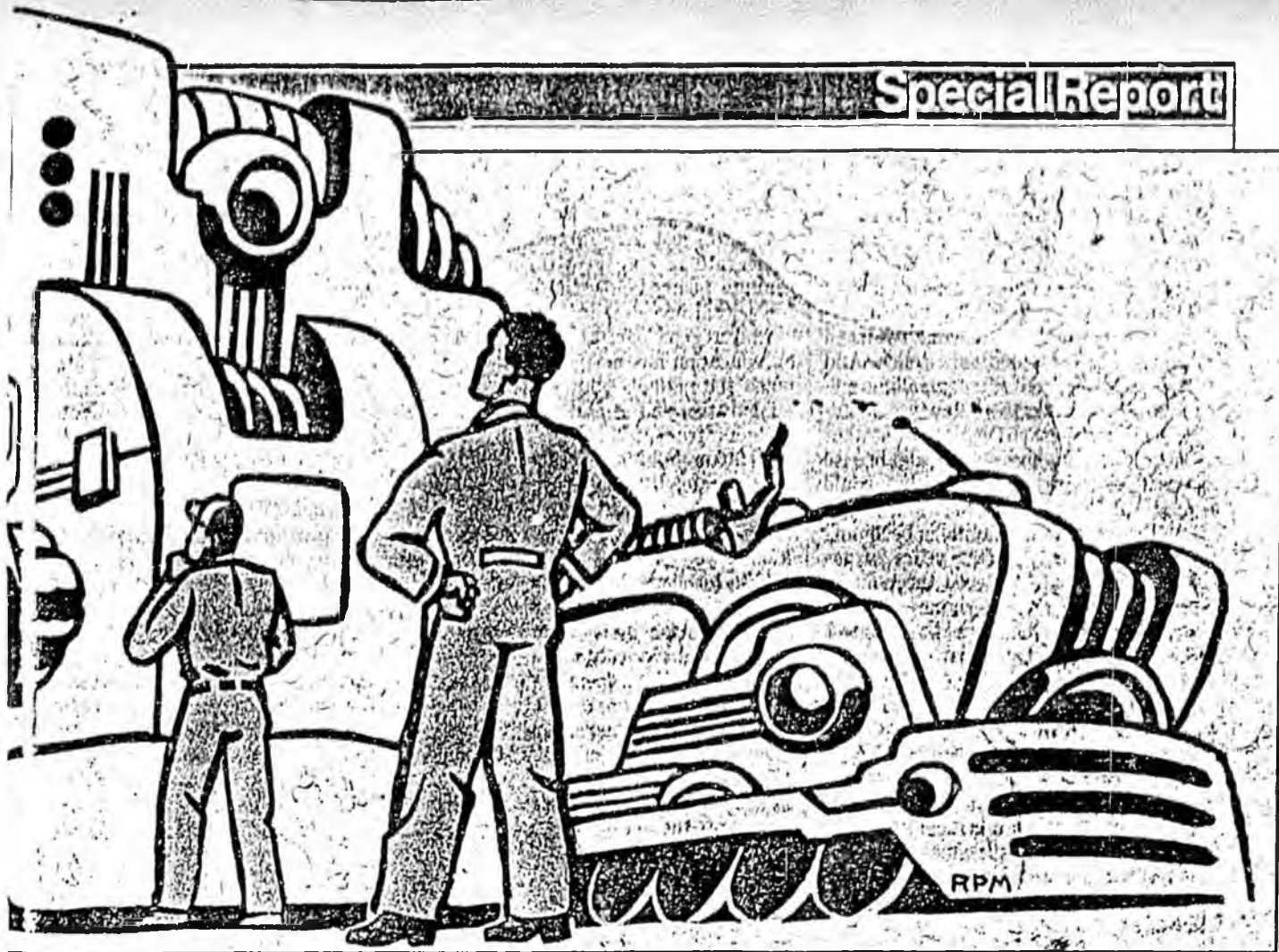
Who will do America's work as the demand for skilled labor outstrips a dwindling supply? The U.S. has lost much ground to competitors, and investing in people looks like the way to retake it. After years of neglect, the problem of human capital has become a crisis



Take a trip back to what may be our future. It is the 1851 industrial exhibition at the Crystal Palace in London. Britain is the dominant world power. The U.S. is No. 2 in industry and catching up fast.

Made-in-America reapers, muskets, and tools are the marvels of the show. British businessmen are amazed at what they see. Products are assembled from completely interchangeable parts. Here is true mass production for the first time. So impressed are they that they name it "the American system of manufacture."

Worried delegations of British industrialists set sail to investigate. Their findings? American manu-



# CAPITAL

Manufacturing prowess is in large part due to a highly educated work force. The Yankees have an astonishingly high literacy rate of 90% among the free population. In the industrial heartland of New England, 95% of adults read and write. In contrast, only two-thirds of the people in Britain are literate. **UNDSIDED.** Now zip ahead a century or so to the 1980s. The U.S. is the dominant world power, and Japan that is No. 2 and closing fast. American consumers marvel at the quality of Japanese products flooding their markets. They make pilgrimages to Tokyo. Their findings? Manufacturing superiority being forfeited to the Japanese. And yes, once again, behind the success in manufacturing prowess lies a better-educated work force. In 1988, Japan's functional literacy rate is better than 95%. In America it's down to about 80%. Illiteracy is but a symptom of the larger problem

afflicting the U.S. economy. The \$150 billion yearly trade deficit and a foreign debt of half a trillion dollars reflect the inability of a large percentage of the American work force to compete effectively in an integrated world economy. "Much of the success of Japan stems from the fact that its blue-collar workers can interpret advanced mathematics, read complex engineering blueprints, and perform sophisticated tasks on the factory floor far better than blue collars in the U.S.," says Merry I. White, professor of comparative sociology at Boston University and author of *The Japanese Educational Challenge*.

America, in short, has been scrimping on human capital. After trying to solve its serious competitiveness problems by pouring hundreds of billions of dollars into capital equipment, the country is discovering that it has been blindsided when it

# Special Report

comes to workers. Corporate restructuring and a sharply cheapened dollar may have arrested the economic decline, but investing in people is turning out to be the only way to reverse it.

Society's failure to invest is already haunting the business community. Chemical Bank in New York must interview 40 applicants to find one who can be successfully trained as a teller. And IBM Corp. discovered after installing millions of dollars worth of fancy computers in its Burlington (Vt.) factories that it had to teach high-school algebra to thousands of workers before they could run them.

Building up human capital is becoming a national priority. After years of neglect, it has finally entered the political arena, at least on the rhetorical level. Just listen to the messages being broadcast by both Presidential candidates. Who will be the "Education President?" Who will do the most to train workers or provide child care to working mothers?

Those messages are long overdue. More than two centuries ago, Adam Smith pointed to the improvement in the skills of workers as a critical source of economic progress and a means of raising living standards. Wrote Smith in *The Wealth of Nations*: "A man educated at the expense of much labor and time to any one of those employments which require extraordinary dexterity and skill may be compared to one of those expensive machines."

**'ABSOLUTELY CRUCIAL.'** The evidence is overwhelming that people, not machines, are the driving force behind economic growth. In the period from 1948 to 1982, the nation's gross national product increased at an annual rate of 3.2%. Edward Dennis, an expert in growth economics, finds that one-third of that gain was caused by the increase in the education level of the U.S. work force and about half the growth was the result of technological innovation and increased know-how, which also depend on education. But just 15% of the total increase was the result of more capital equipment.

While Washington has been hell-bent on throwing incentives at business to increase spending on plant and equipment, outlays for human capital in the past 15 years have lagged behind. In the period from 1959 to 1971, total spending per student in public and private elementary and high schools grew at a brisk 4.7% a year, after adjusting for inflation. That was more than a full percentage point above the robust 3.3% rate of increase in the GNP and

even a smidgen higher than what business spent on plant and equipment. But from 1971 to 1985 things changed drastically. Dollars for education increased at a rate of just 2.7% in real terms, the same rate as GNP growth but 1.5 percentage points below the spending rate for capital investment.

And a good part of the money spent on education has not gone to those who teach the nation's young. Excluding administrative and capital cost from school budgets, from 1959 to 1971 teachers' salaries after inflation increased at a 2.8% annual rate. But then, even as international competition started to heat up, teachers' salaries nose-dived, falling by 1.25% a year until 1985. They've bounced back a bit since, but in real terms, salaries are barely above their 1971 level. Small wonder that top-notch college graduates are not attracted to teaching.

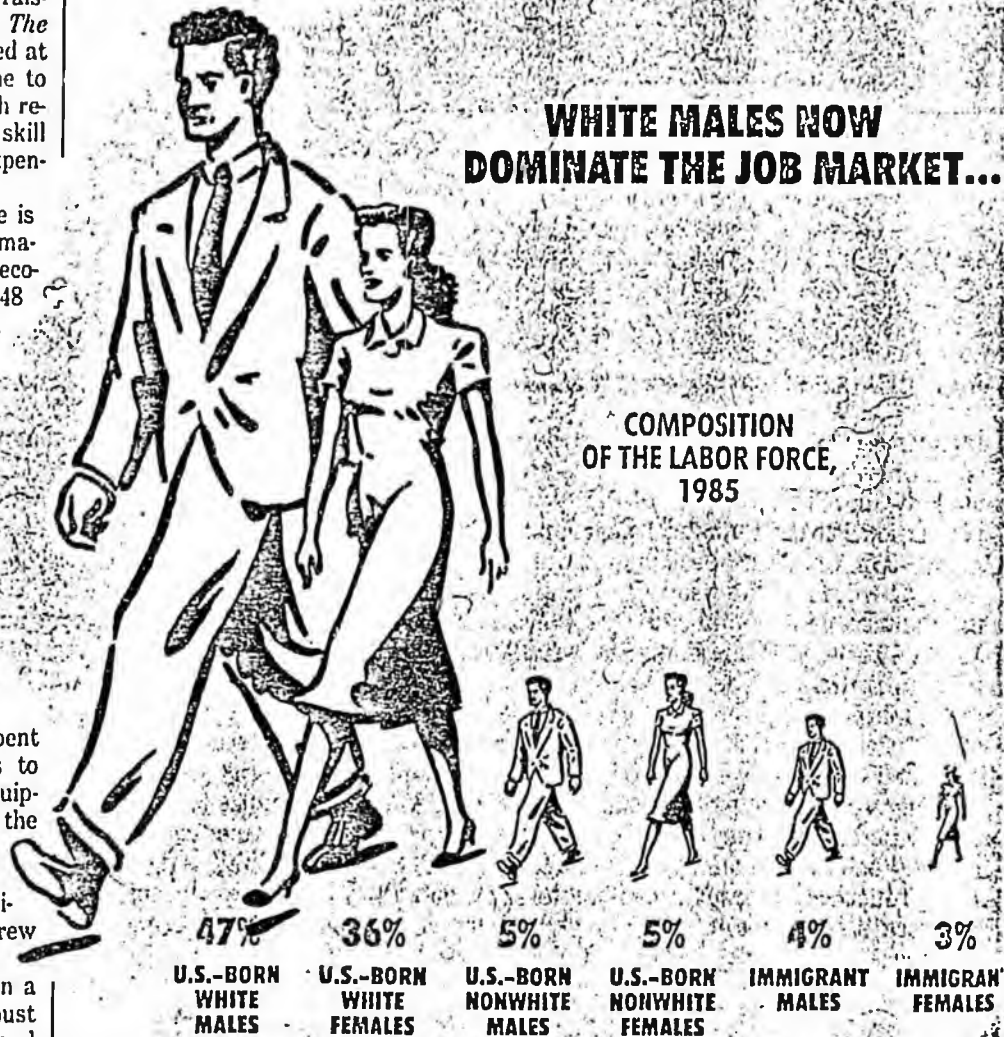
True, the U.S. spends plenty on education: \$185 billion a year on primary and secondary schools alone. When colleges and universities are added in, the figure soars to \$310 billion—more than is spent on defense. American universities are the best in the

world, but elementary and high schools are another story. The U.S. gets a lot less for its education buck than do Japan and Europe. U.S. students attend class 180 days a year. French and German kids go 220 days, and Japanese children spend 240 days in school a year. American high school students score below both their foreign counterparts in international math and science tests. They test two to three years behind the Japanese, neatly matching the difference in time spent in school from kindergarten through high school. Worse, half of the kids in inner-city public high schools drop out. "The issue is not money, it's competent use of money," says Pat Choate, director of TRW Inc.'s Office of Policy Analysis. "Janitors in New York City schools make more than teachers. Education systems are patronage systems: Community boards give out jobs."

**SECOND FIDDLE.** Educating America's future work force reaches beyond the classroom. A fourth of all children born in the U.S. will be on welfare sometime in their lives. A quarter of all American

## WHITE MALES NOW DOMINATE THE JOB MARKET...

COMPOSITION OF THE LABOR FORCE, 1985



### SPECIAL REPORT

Society's failure to invest in the work force already haunts business *Page 100*

### LABOR

The gap between jobs and the skills of applicants is alarmingly wide *Page 104*

### DEMOGRAPHICS

Employers must look to women, minorities, and the elderly *Page 112*

### UNDERCLASS

In the face of prosperity, a growing underclass of the unemployed *Page 122*

### EDUCATION

Everyone agrees that the system needs fixing. The question is how *Page 129*

### BUSINESS AND THE SCHOOLS

Companies are taking a more active role in educational reform *Page 134*

### CONCLUSION

What we must do to upgrade our No. 1 asset—the American worker *Page 140*

children are born out of wedlock, and 42% of them will live in a single-parent family before they reach their eighteenth birthdays. As a result, education often plays second fiddle to the more pressing needs of survival.

The once-pervasive family role in education appears to be seriously eroding. With both parents in most families now working, the question of who's reading to the three-year-old and checking up on Junior's geometry homework is becoming a national concern. In Japan the mother plays such a strong role in teaching her children that she is known as "education mama." Here, the "education mama" is vanishing—and "education pas" aren't taking up the slack.

One big exception is in the Asian-American community. "This year, 22% of MIT's freshman class is Asian-American," says Lester C. Thurow, dean of the Sloan School of Management at Massachusetts Institute of Technology. "The big reason for Asian-American success in public schools is family; family means some parent telling you that education is important."

At a time when jobs require higher levels of math, science, and literacy than

ever before, the economy is becoming increasingly dependent on the groups that often receive the poorest education. Between now and the year 2000, more than half of all new workers hired will be minorities, nearly three times the current figure. Blacks and Hispanics have the highest school dropout rates in the coun-

try and lag significantly behind the national average on test scores.

But there is hope. The needs of the American workplace and the needs of the disadvantaged may be merging for the first time in recent history. The drive to raise productivity and increase international competitiveness is transforming the debate over social equity into a discussion about economic growth.

**BENIGN NEGLECT.** The Reagan years were an understandable reaction to the free-flowing social spending that earmarked the 1960s and 1970s. The national focus shifted to restructuring industry, deregulating the economy, and personal advancement. In the 1980s, programs for the bottom half of society got the deepest cuts. It wasn't all "welfare," either. The Labor Dept.'s manpower training programs were hit hard as well.

Those cuts in training could not have been timed worse. "The split between the top half and bottom half in society has been widening for the past decade, no matter how you cut the data," says Harvard University's Richard B. Freeman. "The educated, the skilled, and people in certain industries and jobs have done well. The rest have not." This inequality can only worsen if the human-

capital deficit is not solved. The internationalization of the economy in

the 1980s pitted the U.S. labor force against workers around the world. The results? "Trade has killed the earnings prospects for less educated people," says Freeman. "They must compete with lower-wage people overseas. As long as we trade with Korea, the less educated will have a problem."

That competition has proved devastating. From 1959 to 1986, earnings for young men who quit high school fell by 26%, adjusted for inflation. Even high-school grads saw their earnings drop by 9%, while those of college graduates rose by 6%.

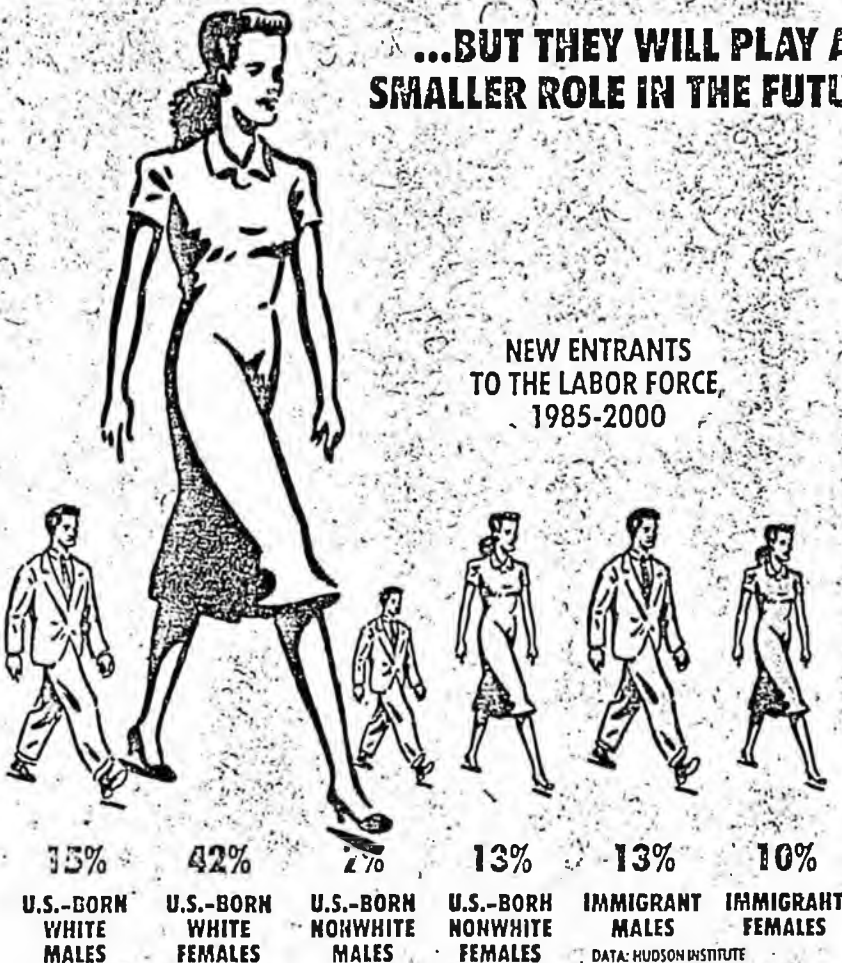
In the final analysis, wage gains and losses mirror what is happening to worker productivity. The huge decline in the wages of America's unskilled labor force shows that it is no longer competitive in the international economy. The productivity of the unskilled is plummeting, while worker productivity abroad is soaring. This could signal major losses in the battle for world markets. The U.S. may now be entering an era when neglect of the bottom half of society begins to threaten the welfare of the entire nation.

In the following articles the editors of BUSINESS WEEK lay out the dimensions of the human-capital crisis—and what the country must do about it.

*By Bruce Nussbaum in New York*

## ...BUT THEY WILL PLAY A SMALLER ROLE IN THE FUTURE

### NEW ENTRANTS TO THE LABOR FORCE, 1985-2000



# WHERE THE JOBS ARE IS WHERE THE SKILLS AREN'T

As work becomes more knowledge-intensive, employers are fishing in a shrinking labor pool



In a dynamic economy there is always a gap between job demands and worker skills. Through most of its history, the U.S. has managed to keep that gap small. But not anymore. The nation is facing a monumental mismatch between jobs and the ability of Americans to do them.

Unless the U.S. invests more to close this human capital deficit, the economy will be shunted onto a lower growth track. The drive to improve technology and productivity could founder on a shortage of competent workers. There will be a social price, too: Lower-skilled minorities will find it harder than ever to land good jobs. The earnings differential that already is growing between the top and bottom halves of the work force could get even larger. The nation could become further polarized between skilled and unskilled workers.

**NEW YARDSTICK.** Three forces are combining to produce the leap in the skills the economy will require. First, technology is upgrading the work required in most jobs. The modern workplace needs people with high reading and math capabilities, so millions of jobs go unfilled while the army of the unskilled remains unemployed.

Second, job growth will be fast mainly in high-skill occupations. Most of these jobs will be in the service sector. This kind of work now requires knowledge that wasn't necessary 20 years ago.

Finally, the way in which work now is being organized requires a completely new set of skills. As companies shift from the old models of assembly-line production to Japanese-style work teams, employees will have to sharpen their abilities to communicate.

A detailed look at how new workers will match up against new jobs between now and the year 2000 tells the story (chart). The Labor Dept. has devised a method for measuring, on a scale of one to six, the levels of reading, writ-

ing, and vocabulary needed to perform a wide range of jobs. The Hudson Institute, an economic think tank, has matched the new jobs that the economy will create against these scales. Here is what they found:

More than three-quarters of the nation's new workers will have limited verbal and writing skills (Levels 1 and 2). But they will be competing for only 40% of the new jobs. Most new jobs will require workers who have solid reading and writing skills, but fewer than one in four new employees will be able to function at the needed levels. Retail sales, for example, will be among the occupations providing the most new jobs. To fill those jobs, most retail employees will have to function at Level Three. They will have to write up orders, compute price lists, and read merchandise catalogs. Sound simple? Nevertheless, Hudson estimates that just 22% of the new employees will be

able to function at Level Three or better.

For jobs in nursing or management, the educational ante is higher. Most of these jobs, which often require more than a high-school education, need skills at Level Four or above: an ability to read journals and manuals, write reports, and understand complex terminology. Just 5% of the new employees will be able to do that.

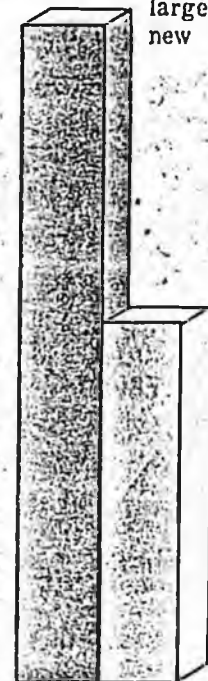
**DAUNTING TASK.** As many as 50 million workers may have to be trained or retrained in the next 12 years—21 million new entrants and 30 million current workers. The most daunting task ahead is to educate and train the young work force entrants. The decline in the number of 21- to 25-year-olds means that employers now must dig deeper into the barrel of the poorly educated. And a larger proportion of new workers will be



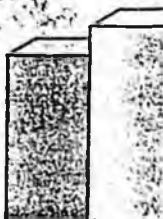
## THE LOOMING MISMATCH BETWEEN WORKERS AND JOBS



**LEVEL 1**  
Has limited reading vocabulary of 2,500 words. Reading rate of 95 to 125 words per minute. Ability to write simple sentences



**LEVEL 2**  
Has reading vocabulary of 5,000 to 6,000 words. Reading rate of 190 to 215 words per minute. Ability to write compound sentences



**LEVEL 3**  
Can read safety rules and equipment instructions, and write simple reports

ILLUSTRATIONS BY RAY VELLUW

minorities and immigrants, who tend to have less education and fewer skills than other employees.

Minorities are the neediest of these new workers. But as employers become increasingly dependent on them, minorities are lagging behind in reading and writing skills. And those already working tend to be stuck in occupations that are disappearing, while few have jobs in growing industries (table, page 108).

As the economy continues to expand, big companies are looking harder for new workers. But many minorities with low skills still aren't being hired. Last year, Nynex Corp.'s New York Telephone Co. had to test some 60,000 applicants—many of whom were minorities—to hire 3,000 people. "There are lots of people who still want jobs, but they're dropouts who aren't qualified," says Howard Harman, New York Telephone's director of employment.

People who already are working will need massive retraining to keep pace with changing job requirements. They are the 30 million who will need more math and science to operate computers and robots on the assembly lines or better reading and writing skills to keep up in the office.

True, many companies are using technology to replace workers—but those employees who stay on the job generally must improve their skills. For instance, New York Telephone has used new technology to help shrink its work force,



which now numbers about 50,000, compared with 106,000 in the early 1970s. Nonetheless, the company has been forced to increase its in-house training rapidly to upgrade the skills of its remaining workers. NYT has four technology-learning centers where employees are taught to operate the handheld computers that telephone repairers use to keep track of orders. One five-day course retrains skilled splicing technicians who install overhead telephone cable. "Before, they handled 100-pound wire that was 6 inches in diameter," says Ray Bucaria, New York Telephone's director of train-

ing. "Now they must learn to use fiber optics, which means splicing very delicate fibers—like a brain surgeon, almost."

A growing number of companies go so far as to train the employees of their suppliers.

In the early 1980s, Xerox Corp. found that its product quality was much poorer than that of its rivals. Management decided suppliers were a big part of the problem. Xerox reduced its 3,000-odd suppliers to about 350 and raised tolerance standards for parts it buys from them.

Xerox then began a program to train its suppliers in Japanese-style quality control. Typically, a company employee trains the supplier's management, and the supplier then trains its own work force in the new methods. Xerox initially will train about 100 of its 350 suppliers, at an estimated cost of \$1.5 million. "Training suppliers has become a permanent part of the way we do business," declares Robert Fletcher, who manages material quality assurance at Xerox. Motorola Inc. goes further: It even trains its suppliers' suppliers' work forces.

General Motors Corp. had to retrain workers when it opened a new truck plant a year and a half ago in Fort Wayne, Ind. The plant does have some spiffy new technology. But more important, it has a new team-production

**TIME TO REWIRE**

*As New York Telephone switches to fiber optics, it's rushing to retrain workers—proof that the skills gap affects longtime employees as well as recruits*

**ACTUAL SKILL LEVELS OF NEW WORKERS**

Percent of 21- to 25-year-olds entering the labor market from 1985 to 2000

**SKILL LEVELS NEEDED FOR NEW JOBS**

Percent of new jobs created from 1985 to 2000



**LEVEL 4**  
Can read journals and manuals, and write business letters and reports

**LEVEL 5**  
Can read scientific/technical journals and financial reports, and write journal articles and speeches

**LEVEL 6**  
Has some skills as Level 5, but more advanced



DATA: HUDSON INSTITUTE, LABOR DEPT.



system. Both workers and management had to go through intensive training in group dynamics and problem-solving to increase manufacturing productivity.

"Our people never heard of this until a few years ago," says Don Davis, the union head of a GM/UAW joint training program in Detroit. In all, Fort Wayne's 3,000 employees took 1.9 million hours of training, including time to learn the new technology. That's more than 633 hours per worker.

Companies are now spending some \$30 billion a year on worker training. A lot of that money is going to upgrade the skills of office workers. Take Mary Ann Moscillo. After her father died, she dropped out of school at 16 to work as a clerk in the mail room at Blue Cross/Blue Shield of Massachusetts. She wasn't able to advance on the job for almost a decade. Then she enrolled in a remedial education program run and paid for by Blue Cross, and she learned reading, math, and history. Armed with a new high school diploma, Moscillo has had three promotions. Now, she compares claims made by hospitals with payments Blue Cross makes to them, finding and explaining variances between the two.

**BABY BUST.** The churning economy is generating millions of displaced workers. They account for more than one-half of the people already at work who will need retraining by 2000. Throughout the 1980s, some 2.3 million workers have been displaced each year, according to the Bureau of Labor Statistics. Roughly 1 million long-term workers—those on the job three years or more—have been displaced annually. Approximately 30% of these lack basic skills—reading, writing, and arithmetic. Consequently, a third never found new jobs at all. Others found work but at substantially lower pay.

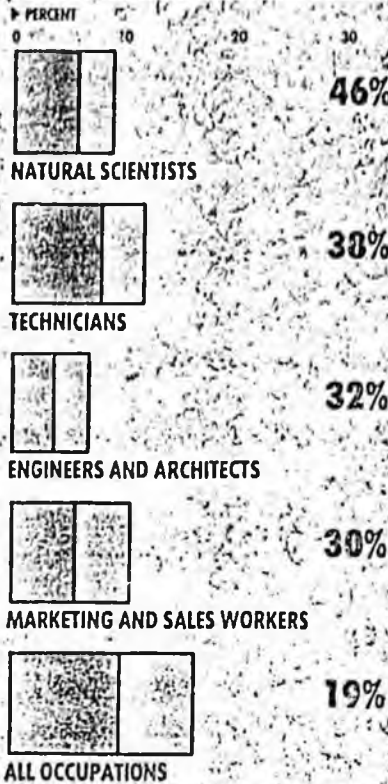
Elite workers, as well, could be in short supply. Because of demographic trends, the U. S. is facing a long-term shortage of scientists and engineers. The number of both has climbed steadily in the past two decades, but only because the baby boom brought many young people into the labor force. The percentage of students who choose these fields has actually remained constant: In the past 30 years, the

## MINORITIES ARE STUCK IN THE WRONG JOBS

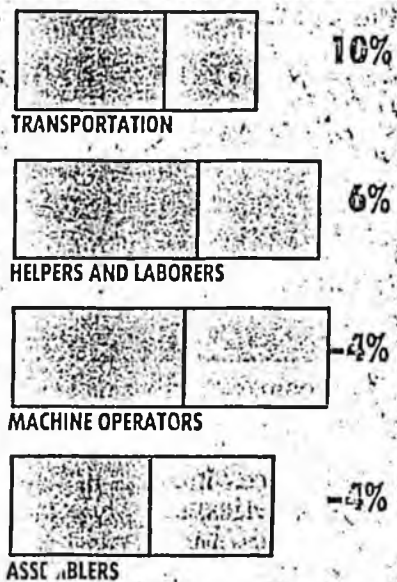
Percent of jobs held in 1986 by:  
 Blacks  Hispanics

Percent change in demand for jobs 1986 to 2000

### TOO FEW IN FAST-GROWING JOBS...



### ...TOO MANY IN SLOW-GROWING JOBS



DATA: BUREAU OF LABOR STATISTICS

proportion of 22-year-olds acquiring bachelors' degrees in science and engineering has remained within narrow band of 3.7% to 4.3%, according to the National Science Foundation (NSF).

If this trend continues, the baby bust could cause growing shortage. If just 4% of students continue to choose science or engineering, the NSF warns, there could be a cumulative shortfall of more than 400,000 science and engineering BAs through the year 2000. Half of all engineering students at the graduate and post-graduate levels already are foreigners. And this country is facing a shortage of 27,000 PhDs by the end of the century.

Economists are quick to point out that in these relatively high paying fields, shortages are likely to push up salaries and attract more people. But there's little evidence that previous shortages enticed more students to scientific fields.

**GROWING GAP.** In addition, market mechanisms may not work quickly enough to remedy shortfalls of PhDs, who require an additional six to eight years of schooling. "Usually the decision to enter science is made in high school," says John H. Moore, deputy director of the NSF. "We need to do something today to get teens thinking seriously about careers in these fields—or we'll be in trouble."

The skills gap poses a threat to American society that goes beyond simply the economy. Currently, labor shortages in New England and elsewhere are driving up wages for jobs in fast-food eateries. If new workers don't become better qualified, this situation may change drastically as shortages move up the skills ladder. Many new job-seekers could wind up competing for a dwindling number of low-skilled jobs, while higher-skilled jobs go begging for want of qualified workers.

That would drive down wages for low-skilled workers, who can least afford it, and raise wages for skilled employees, who are already better paid. The social consequences of this are clear. Warns Irwin S. Kirsch, a researcher at Educational Testing Service in Princeton, N. J.: "If we don't boost the skills of the bottom ranks of the work force, we'll have an even more divided society than we do now."

By Aaron Bernstein in New York and bureau reports

CHARTS BY RAY VELLA/VIEW



**MODERN FAMILY**  
 Karen and Melvin Petersen, who both work the swing shift at Echo Bay Mines Ltd.'s operation in Round Mountain, Nev., drop off toddlers Laura and Lori at the 24-hour, company-run day care center before going to work. If Karen stayed home, "we'd struggle along from paycheck to paycheck. It would be rough," she says. Two incomes let them save money for the girls' education

## FOR AMERICAN BUSINESS, A NEW WORLD OF WORKERS

Employers must look to the nonmale, nonwhite, and nonyoung—and competition will be vicious



Once upon a simpler time not so long ago, "work force" meant white men in ties or blue collars. The image was never quite exact. One generation back, as the nation settled into postwar prosperity, 30% of all women worked outside the home—even if *Leave It to Beaver* reflected the cultural ideal of family life. "Negro,"

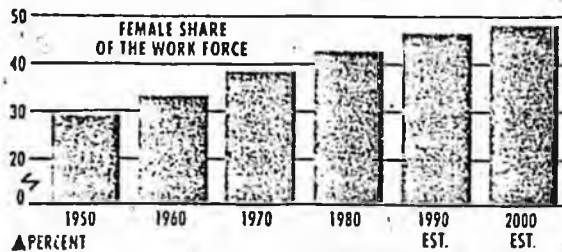
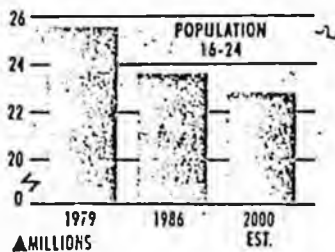
"Oriental," and "Spanish-American" workers always have helped to do America's work. But with a plentiful labor supply, few employers had to reach beyond the male Caucasian in his prime except for the least-wanted jobs. Indeed, by the late 1960s, as employers awarded self-winding watches to 65-year-olds, the first fresh-faced baby boomers were on their way to Personnel.

The last of that numerous cohort is now straggling into the world of pay-

checks and withholding taxes. The boss is losing that confident glow. The decline in birth rates after 1960 has slashed the numbers of young people available to fill jobs right up to the year 2010 and maybe beyond.

The years of picky hiring are over. Vicious competition for all sorts of workers—entry-level, skilled, seasoned—has begun. Employers must look to the nonmale, the nonwhite, the nonyoung. There may be a push for non-citizens as well:

### AS THE POOL OF YOUNG WORKERS SHRINKS, WOMEN WILL FILL THE GAP, AND MORE WORKING



DATA: BUREAU OF THE CENSUS, LABOR DEPT.

- ▶ 73% of all working women are of childbearing age
- ▶ 60% of all school-age kids have mothers in the work force, up from 39% in 1970
- ▶ Women with children under 6 are the fastest growing segment of the work force

PHOTOGRAPH BY JAMIE TANAKA, CHARTS BY PAT JERINA

Over the next 10 years, predicts the Hudson Institute, an economic think tank, only 15% of work force entrants will be native-born white males.

Building a new, more diverse work force and making it tick will be one of Corporate America's biggest challenges in the decade ahead.

## MOTHER, DAUGHTER, WORKER, WIFE

In the past 15 years, as women ventured into the workplace in growing numbers, it has been widely expected that employers would take major steps to accommodate their special needs. So far, though, employers have been able to hire 52% of all women without doing much very differently. That's partly because in a world of stagnant real earnings, women and their families have needed the money more than companies needed the women. Feminism, higher education levels, and rising expectations pushed women into the work force, too.

But as employers fish in a shrinking pool for new workers and try to retain experienced ones, women will be in a position to make demands. Companies will be forced to make it easier for workers to balance work and family.

Three-quarters of working women are in their childbearing years; more than half of all mothers work. Those with children younger than 6 make up the fastest-growing segment of the work force. For many such women, as well as for their spouses, balancing work life with parenting at a distance presents logistical challenges worthy of an air traffic controller.

It isn't only children. As the U. S. population becomes older—and by 2000, 51% will be between 35 and 54—more people must take responsibility for their parents. Americans are living longer, thanks to better nutrition and medical breakthroughs, but those beyond the age of 75 are often ill or infirm. Services are expensive, so care usually falls to family members—many of whom work.

About 40% of workers over age 40 already provide care to parents, according to Anthony Gajda of Mercer-Meisinger-Hansen, an employee-benefits firm. About 12% of women who care for aging parents must quit their jobs to do so.

A growing body of research links employees' concerns for the care of children or elderly relatives with productivity losses from increased absences, tardiness, and stress on the job—and such time-wasters as excessive use of the phone. This holds for men in dual-career marriages as well as for single fathers and single sons. But it's particularly true for women. At Touche Ross & Co., Susan Schiffer Stautberg figures the average working woman spends 17

minutes each day caring for children or elderly relatives. She estimated that such policies don't cost much even though temporary workers may have to fill in or other staff may have to work overtime. Legislation requiring employers to provide unpaid family leave to care for sick relatives or new babies is on Congress' agenda.

Child care, especially, is politically hot. A \$2.5 billion bill sponsored by Senator Christopher J. Dodd (D-Conn.) and Representative Dale E. Kildee (D-Mich.) would set quality standards for child care, provide payment vouchers to families, and provide states with funds to add new facilities. Michael Dukakis backs the bill's concept without endorsing the dollar amount. George Bush wants a \$1,000-per-child tax credit for

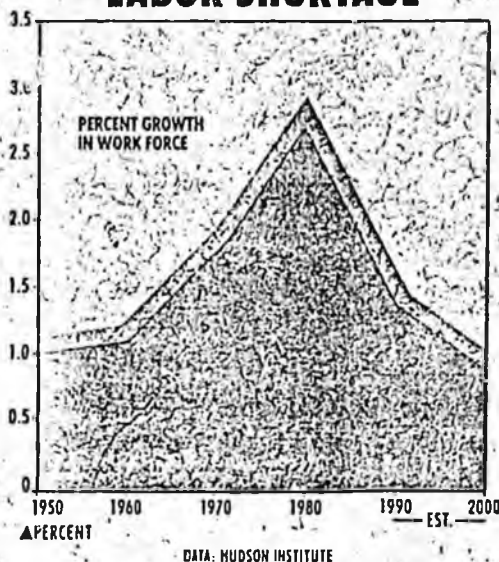
poor families where at least one parent works, to be used for child care or to help mothers stay home. 'CARE-GIVERS.' There is widespread agreement that the federal government has some role to play, beyond the current \$3.9 billion dependent-care tax credit, the \$660 million spent on day care, and \$1.5 billion for the Head Start early childhood program for disadvantaged kids. States, expanding their programs, are crying for more funding. California subsidizes day care for low-income toddlers. Texas school districts provide prekindergarten for 4-year-olds from poor families. Massachusetts is trying to increase the supply of child care with loans to build centers and grants to expand referral programs, train "care-givers," and pay them more.

The problem, however, is falling increasingly into the corporate lap. Boston University researchers Bradley K. Googins and Dianne S.

Burden recently surveyed 1,500 workers in big corporations. Some 43% said employers and government should share responsibility for helping balance work and family life; 41% said companies should take the lead.

About 60% do offer some degree of work-schedule flexibility. But less than 5% of U. S. companies—a grand total of 3,300—help with child care. Most of those either allow employ-

## THE COMING LABOR SHORTAGE



years raising kids and 19 years caring for aging relatives. Her grim joke: "Middle age is the 15 minutes in between."

The productivity issues are greater than a workday lost when the babysitter walks out or Grandma breaks her hip. Family leaves, allowing parents time off to care for a new baby or deal with a family crisis, help retain women workers and boost morale and loyalty among others as well. A 1986 report by the General Accounting Office indi-

## MOTHERS WILL INCREASE THE DEMAND FOR CHILD CARE

▶ With divorce and out-of-wedlock births running high, the typical child born in America today will spend some time in a single-parent home. Such households, usually headed by women, are more likely to be poor. Children in poor families are at risk for school and social failure

▶ Only 5% of U.S. companies help their employees with child care. Only about 300 have helped start day-care facilities

▶ In 1982, a quarter of all mothers not in the work force said they would work if adequate child care were available



CHART BY RAY VELLA/PHD

ees to save tax dollars by setting aside pretax income for day care in flexible benefit plans, or they provide information and referral advice. Only 250 or 300 companies have helped start child-care centers.

It's likely that more women would enter the job market if they could find good child care. In the 1982 census, 26% of all nonworking mothers with preschoolers said they would look for work if "reasonably priced child care were available." An additional 13% said they would work more hours. If half the women claiming they are so constrained went to work in the 1990s, the labor force would gain 850,000 workers, notes Columbia University economist David E. Bloom.

**A BENEFIT.** Indeed, some companies are looking at child care as a recruiting device, especially in clerical, food service, and hospital jobs, which depend on women workers. But the impetus is growing elsewhere. Faced with a local labor shortage, Echo Bay Mines Ltd. at Round Mountain, Nev., has enticed parents to hire on for swing shifts by keeping open its on-site day care center 24 hours a day, seven days a week.

Eastman Kodak Co. helps its American employees look for child care. In addition, the company is experimenting with job-sharing. Two Rochester (N. Y.) mothers with young children split the title "professional recruiter"; their 24-hour stints overlap on Wednesdays. Kodak allows up to 17 weeks of unpaid leave to care for a spouse, parent, sick child, or new baby, including adopted or foster children. "We have a lot of money invested in training. This is protecting our investment," declares Mary J. Har-

rington, Kodak's corporate employee relations director.

Corporate efforts to help workers cope with elderly parents are still primitive. Most women must find ad hoc solutions. A quarter of those responsible for aged parents take extended leaves or cut down their work hours. The challenge is to keep them on the job as much as possible by providing social supports for the parents. As the pressures of labor shortage build, companies will also have to see to it that employees don't

exceed those of whites. Immigration, mainly from Latin America and Asia, has accounted for a fifth of America's population growth in the 1980s. Compared with the native-born, immigrants are younger and their families are larger. The youth cohort of the work force is shrinking, but more of its members will be black, Hispanic, or Asian.

These changes may have dire consequences for the U.S. work force. A disproportionate number of these youths are growing up in families that are poor



**DROPPING IN**

*After Bostonian Sandra Brown, single parent of three, told her welfare caseworker she was "job-ready," she enrolled in a program at Roxbury Community College where she's studying word-processing and finishing high school. Her employer is helping with the tuition bills*

or headed by single parents. In minority communities, many of today's adults lack the skills to find decent employment. Their kids face worse prospects at a time of dramatic technological change. A disturbing new term, underclass, describes some who are from such disorganized backgrounds that—without intervention or a social miracle—they may never be employable (page 122).

Many young people—especially minorities—are caught in a vicious cycle. About a quarter of all kids are

born out of wedlock to parents who "are poorly educated, frequently young, and unskilled," says George Washington University's Sar Levitan. In the U.S., about 44% of all marriages fail. Female-headed households are more than four times more likely to be poor than are two-parent families. A startling one in four members of the Class of 2000, now entering first grade, is living in poverty.

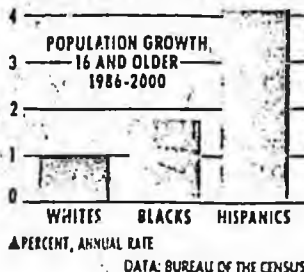
Part of the problem is child support. Fewer than half of fathers not living with their kids pay anything toward their keep. In 1985 more than half of all

**YOUNG, TROUBLED, AND IN DEMAND**

It has been a long time since America's population profile bore much resemblance to the party that landed at Plymouth Rock. Now this nation of ethnicity and social flux is changing anew. It is becoming less white and more Spanish-speaking. Birth rates among blacks

Part of the problem is child support. Fewer than half of fathers not living with their kids pay anything toward their keep. In 1985 more than half of all

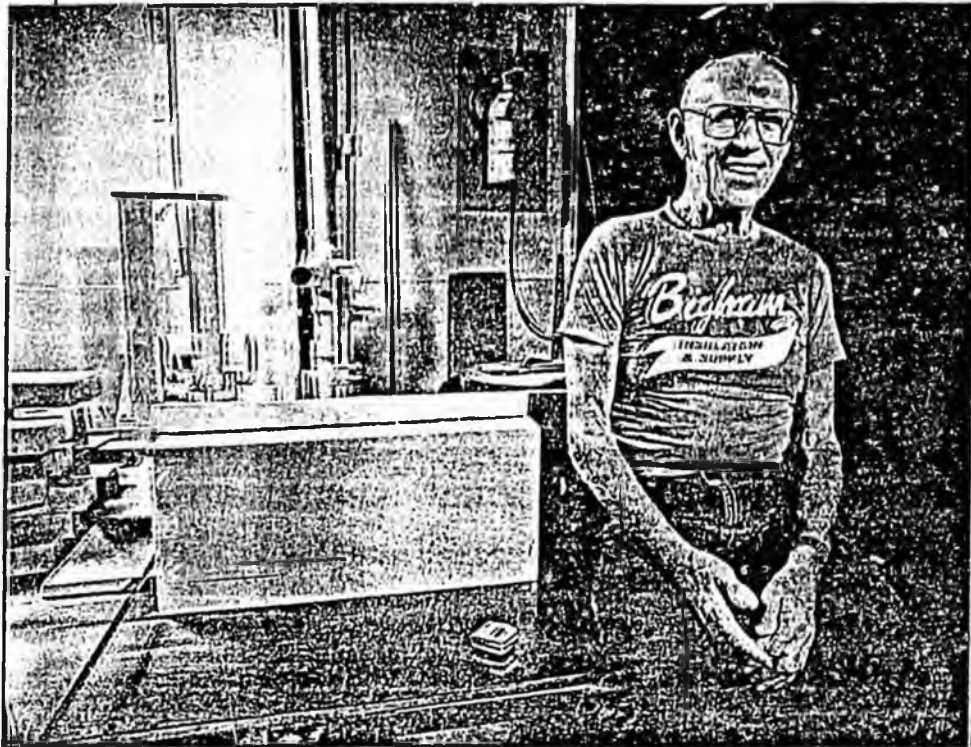
**MINORITIES: FAST GROWTH AND TOO MANY DROPOUTS**



- ▶ Among white 18- to 21-year olds, 13.6% have dropped out of high school. Among blacks the rate is 17.5%, among Hispanics 29.3%
- ▶ The high school dropout rates in major cities, where minorities are concentrated, range from 35% in New York to as high as 50% in Washington



PHOTOGRAPH BY SETH RESNICK; CHART BY PAT JERUSA



**RETIRED? RETOOL**  
*Leon Levitt, 81, retired from his sales job a decade ago, but six months later he went back to work as a trainee machinist. "Work adds life to your years—and it actually adds years onto your life," he says. As the work force ages, more and more résumés may resemble that of Levitt, who just cut back his workweek to 49 hours from 55*

gible children are served by Head Start, due to inadequate funding. The challenge is clear. If minority skills are not upgraded, they will deteriorate further. Companies will be forced to substitute capital for the unskilled labor. Technology, after all, has many faces. Given skilled workers, it can upgrade a job task and add value. Or, to cope with work-force shortcomings, it can be used to "de-skill." The classic example is McDonald's Corp. Dependent on young workers with poor skills, the hamburger chain has replaced words on the keys of its cash registers with pictures. That may work for McDonald's. But for society to take that path implies low wages and a declining standard of living.

mothers with child-support orders received less than the full amount due. The average annual payment was \$2,315. Another aspect of the poverty problem is women's pay. Women's earnings average \$16,232, 70% of men's. Many mothers work part-time for far less pay.

Harvard sociologist David Ellwood predicts that more than two-thirds of children who grow up in a single-parent household will spend at least some of their childhood in poverty. They are three times more likely than others to drop out of school, and they are more deficient in skills. Black and Hispanic children, while a minority of the poor, are nearly three times more likely to be poor than whites. A National Assessment of Educational Progress found that only 60% of white young adults could locate information in a news article or an almanac. The number was 25% for blacks and 40% for Hispanics.

Labor shortages in the future could present an unprecedented opportunity to improve the lot of the poor. "The new workers—although they are from

groups disadvantaged by discrimination, lack of education, and language barriers—will be in very great demand," says Labor Secretary Ann D. McLaughlin. Already employers are having to reach further and further along the labor queue. Where necessary, they are patching up the ragtag skills they find there, sometimes at huge expense (page 134).

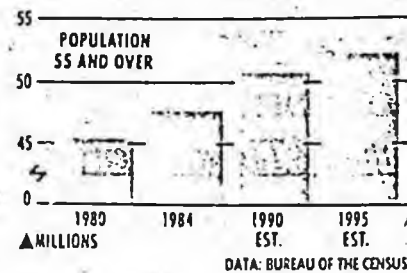
Social thinkers say early intervention, with such proven child-development programs as Head Start—or even earlier with nutrition programs and parenting classes—is the real ticket to building a competent work force over time. Half of all teenage mothers eventually escape poverty through education, with measurable improvements in their kids' achievement and prospects, notes economist Andrew Sum of Northeastern University. "If minorities are to succeed, we have got to start educating children much younger and working through their parents," says Gloria G. Rodriguez, director of a support and training program for poor Hispanic families in San Antonio. Despite its track record, only 18% of eli-

**BRINGING THE RETIRED BACK FROM RETIREMENT**

In our time, the shrinking of the American manufacturing sector has written off a generation of middle-aged blue-collar workers caught between the foundry and the computer. And even as the economy faces labor shortages at all levels, the most striking employment trend in recent years has been a shift to early retirement. Only about 15% of men over age 65 are in the work force today, down from 25% in 1970. Only 68% of those age 55 to 64 still work, compared with 83% two decades ago.

Such trends were perhaps understandable as baby boomers crowded into the workplace and companies downsized. Today, though, it is waste on a vast

**OLDER PEOPLE ARE AN UNTAPPED RESOURCE**



▶ In 1950, for every retiree, there were 17 Americans at work. By 1992, it will be 1 retiree for every 3 workers.  
 ▶ In 1984, only 68.4% of all men aged 55 to 64 worked. If retirement trends continue, that will drop to 62.6% by 1995



PHOTOGRAPH BY GERALD DAVIS; CHART BY PAT JERINA

# Special Report WILL IMMIGRANTS

scale. A typical American who has reached the age of 65 can expect to live an additional 17 years. By 2003 the U.S. National Center for Health Statistics predicts life expectancies at birth will be 84 years for women and 10 years less for men. Today the 58-year-old who takes early retirement is essentially middle-aged, and retirement may last half as long as his or her work life did.

The good health, skills, and work histories of the "young old" can help the nation out of its demographic fix. "Peo-

years. Smart companies are finding ways to retrain and employ them. In Florida, where 18% of its population is over 65, the future is now—fast-food chains recruit workers in retirement villages. Last year, Kelly Services Inc. in Troy, Mich., put out a call for workers over 55. Now they're 8% of the "temp" rolls. In Boston, one BayBanks Inc. unit has hired 45 retirees as clericals, tellers, and clerks since last November.

Keeping older workers in the job market won't be eas. Says Census Bureau

can Labor Force, Briggs argues that minority youths could soon be competing with immigrants—legal and illegal—for entry-level jobs. Rand Corp. researchers say there's no evidence of this yet. But they warn that U.S.-born Latinos must improve their skills to qualify for the high-tech jobs of the future or compete with new immigrants for low-paid jobs.

Today's immigrants, on average, are less skilled than the native-born. Most lack a high-school education. Only 20% are admitted because their skills are in



## NEW CITIZENS

Opening America's "Golden Door" has helped with past labor shortages, but swelling waves of immigration might serve to stall efforts to integrate blacks, Hispanics, and women into the economy more effectively

great demand. But the criteria could change toward more preference for skills. This year, U.S. hospitals, to allay shortages, will hire 20,000 foreign nurses on five-year visas.

The idea of hospitals staffed by skilled foreign professionals and low-paid native-born janitors doesn't sit well with some like Pat Choate, TRW Inc.'s futurist. "Ultimately we have to have an

ple should work longer and be productive longer. We should get away from the rigidities that go along with age 65," argues Alan Pifer, chairman of the Southport Institute for Policy Analysis.

Pifer, who directed the Carnegie Corporation's Project on Aging, advocates continual education and retraining throughout one's working life. The emphasis should be on that restless age around 50 when the kids are gone and "you've gone about as high as you're going to go in the hierarchy. It would be nice if a lot of people could be 'repotted,'" he suggests. As a vision for the nation, that projects a huge agenda: re-ordering what is now an ad hoc and haphazard retraining process. It also requires new benefits systems, such as portable pensions, to erase disincentives for middle-aged workers to move on.

Many over-60s, furthermore, don't want to be put out to pasture for 20

forecaster Cynthia M. Taueber: "They can afford to retire and will." The elderly have escaped Reagan-era spending cuts. Social Security, medicare, and medicaid spending on nursing homes have eliminated most poverty among the old. Still, retirement can be boring. If business makes work attractive, the oldsters may come back in droves.

## THE U.S. COULD LOWER THE DRAWBRIDGE AGAIN

Faced with labor shortages in earlier times, America has opened its borders. Immigration is still a policy option—the wild card in the labor-market outlook.

For Cornell University economist Vernon M. Briggs, unleashing even more immigration will stall efforts to integrate women, blacks, and other minorities into the economy. In a recent book, *Immigration Policy and the Ameri-*

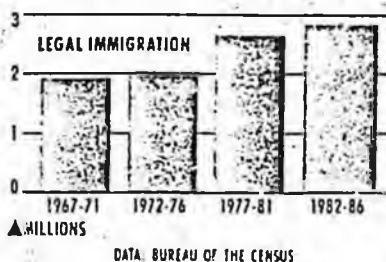
economy that works—and do everything with our own people," he says. Yet, he adds, the U.S. should "use its incomparable advantages" to attract the world's talent. Foreigners here to study engineering, say, could be required to stay and work.

Unlike immigration policy, population trends hold few surprises. "We have a lot of control over how demography hits us. It's more of a glacier than a thunderbolt," reflects Jack A. Meyer, president of New Directions for Policy, a Washington think tank. "If we sit back, we're in for some problems." The danger is that the U.S. will fail to address its demographic challenges in time.

By Elizabeth Ehrlich in New York, with Susan B. Garland in Washington, and bureau reports

PHOTOGRAPH BY WOLFPICTURE GROUP; CHART BY PAUL GRANGE/BW

## WILL IMMIGRANTS FILL THE JOB GAP?

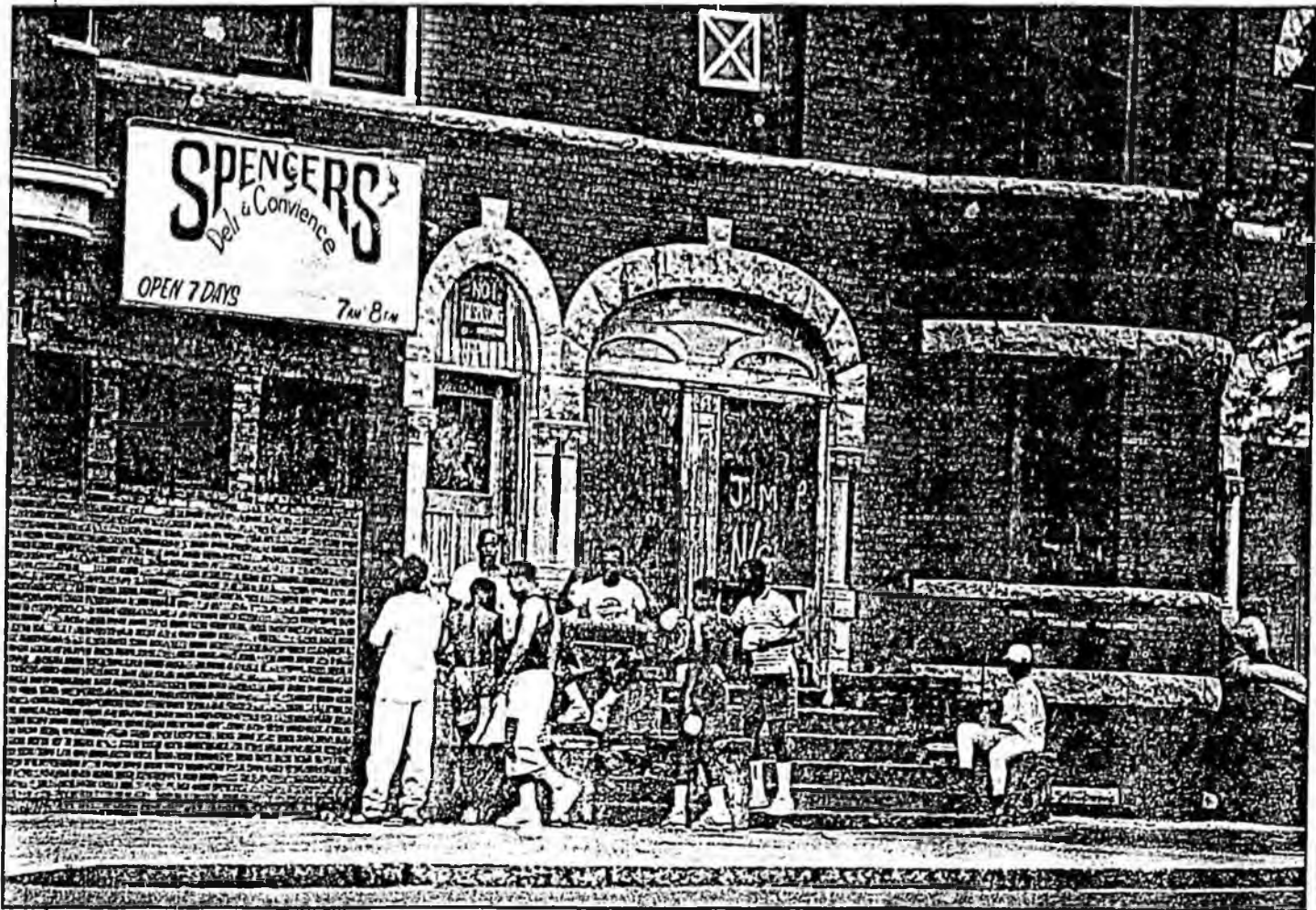


► Only 20% of legal immigrants are admitted for job skills. Family ties or refugee status are the usual criteria

► Over half a million legal immigrants arrive each year—more than at any time since the 1920s.

► Some 2 to 4 million illegal immigrants live in the U.S.





## WHY THE UNDERCLASS CAN'T GET OUT FROM UNDER

In an era of prosperity, legions of welfare mothers and inner-city youths face dead-end lives



Terence Maclin often dreams of escaping Milwaukee's tough North Side. "I plan to build my own business," says the 18-year-old leader of a youth gang known as Two-Four. "Then I can have people working for me."

Maclin's fantasy of the straight life is likely to remain just that. A high school dropout who's been in and out of juvenile institutions since he was 9, Maclin can't read at a sixth-grade level. He's enrolled in a high school equivalency program but chronically cuts classes. And Maclin recently quit the latest in a

series of temporary jobs after a dispute over pay.

In the past, unskilled and poorly educated black youths such as Maclin had a shot at a decent-paying job. But now, many of the breweries that made Milwaukee famous are shuttered. The city's employment boom has been concentrated largely in jobs that require skills far higher than Maclin's. "The odds are very strong that Terence will never make it," says Charles Meyer, a program director at the Westside Center, where Maclin sometimes hangs out.

Young people such as Maclin can be found in decaying inner cities all over America. They represent a chilling phenomenon: a growing black underclass

isolated from the nation's economic and social mainstream. This legion of chronically unemployed males and welfare mothers, concentrated in crime-ridden, desperately poor, inner-city neighborhoods, numbers at least 1.5 million.

That figure continues to mount despite a six-year economic expansion. "The rising tide of prosperity left those without a high school diploma untouched," says John D. Kasarda, an economist and chairman of the University of North Carolina's Sociology Dept. "They were not even on the boat."

Although the underclass is relatively small in size, it reverberates across geographic, class, and racial lines. Drug-related crimes and gang wars are shak-