

ALASKA LEGISLATURE COMMITTEE FILES 2001-2002 8672

10625 SENATE LABOR & COMMERCE

FINDINGS AND RECOMMENDATIONS

Recommendation No. 1

The Division of Occupational Licensing should rescind the licensing application requirement that is unreasonable.

In the prior sunset audit of the Board of Examiners in Optometry (Department of Commerce and Economic Development Board of Examiners in Optometry 08-1436-96), we identified two application requirements that were unreasonable. These requirements were (1) a 3"x3" photograph of the applicant, and (2) submission of official transcripts from all colleges and universities that the applicant attended prior to graduating from an accredited school of optometry.

The Division of Occupational Licensing has dropped the requirement for the extraneous official transcripts from colleges and universities other than from the accredited school of optometry. However, the photograph is still required to accompany the application. It is our understanding the photo requirement grew out of a concern regarding examination security and verifying the identity of the applicants at the test site.

Identification with an individual's photograph such as a driver's license, passport, or state identification is currently required by examination candidates when entering the examination site, and should be sufficient to maintain examination security.

We continue to believe the application photograph is unnecessary and recommend the Division of Occupational Licensing eliminate that requirement from the application.

Recommendation No. 2

The Board of Examiners in Optometry should develop statutory amendments for legislative consideration which will allow the board to license optometrists by credentials.

Issuing a license based on past performance and licensure in another jurisdiction, in place of licensure by examination, is termed licensure by credentials. The standards adopted by the board for licensure to practice optometry in the State of Alaska are equivalent to standards in the majority of states and territories of the United States and virtually identical to standards of the National Board of Examiners in Optometry (NBEO).

Currently under AS 08.72.170(a), the board may waive the written portion of the state examination for an individual who holds a current license (received by examination in another state or Canadian province), has been practicing for at least three years in good standing, and otherwise meets the educational requirements for licensure in Alaska. However, under AS 08.72.170(b) the board is prohibited from waiving the practical examination requirement. As a result, the state does not have full licensure by credential. In our view, this provides an unreasonable impediment to entry into the profession.

We recommend the board develop proposed specific statutory language related to allowing full licensure by credentials. As is done elsewhere in statute, we suggest a provision permitting licensing by credentials in instances where the applicant can provide satisfactory documentation that they are licensed in another jurisdiction where requirements and standards are essentially equivalent to those of Alaska. In our view, developing a proposed statutory amendment for consideration by the legislature would not negatively impact the

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P82
1/18

public's protection, and would allow less restrictive entry into the optometrist profession in the state.

Recommendation No. 3

The Legislature should consider amending optometry licensing statutes related to continuing education requirements for optometrists licensed in Alaska.

Alaska Statute 08.72.181(d), which relates to license renewal, states that:

Before a license may be renewed the licensee shall submit to the board evidence of 48 hours of postgraduate continuing education instruction as prescribed by regulations of the board. The board may specify by regulation those circumstances under which the requirements of this subsection may be waived. [emphasis added]

The board adopted regulation 12AAC48.210(a) requires the following:

An applicant for renewal of an optometry license is required to document an average of 12 contact hours for continuing education credit that meets the requirements of 12AAC48.200, for each complete calendar year that the applicant has been licensed in the concluding licensing period. [emphasis added]

As is apparent, state law requires optometrists renewing their license to obtain 48 hours of continuing education, while the regulations only require 24 hours for each standard two year licensing period. From our discussions with the Division of Occupational Licensing staff, the statute was developed based on a previous four-year licensing cycle rather than the current two year-cycle. Accordingly, when the legislature considers extending the termination date of the board, it may want to consider amending this statute to come into agreement with current regulation and practice.

Recommendation No. 4

The Board of Examiners in Optometry should revise regulation 12AAC48.015 to require the National Board of Examiners in Optometry (NBEO) examination and a State jurisprudence examination, eliminating the practical portion of the State examination.

State regulation (12 AAC 48.015) requires that applicants for licensure as an optometrist in the State of Alaska pass both the NBEO and the State examinations. The nationwide NBEO examination consists of four parts: 1) Basic Science, 2) Clinical Science, 3) Clinical Skills and 4) Treatment and Management of Ocular Diseases.

The State examination consists of eight parts: 1) Biomicroscopy, 2) Goldmann Applanation Tonometry, 3) Gonioscopy, 4) Contact Lenses and Spectacles, 5) Patient Examination, 6) Visual Fields, 7) Binocular Indirect Ophthalmoscopy and 8) Written Examination on Alaska Optometry Statutes and Regulations.

A current licensee wrote to the board in May 1999 stating that he believed the NBEO clinical skills examination was comparable to the State of Alaska's practical examination, and could be used in lieu of it. He noted that many state licensing boards accept the clinical skills portion of the NBEO examination in lieu of a separate state test.

From our review of the requirements of the NBEO examination compared with the state examination, it appears the NBEO examination mirrors the state examination with the exception of Part 6 (Visual Fields) and Part 8 (Written Examination on Alaska Optometry Statutes and Regulations).

Also, from research performed through the National Board of Examiners in Optometry (<http://www.optometry.org>), it was noted that the majority of states and licensing boards have decided to utilize the NBEO testing process and provide licenses based on certified scores received from that national organization.

From our review of all the US licensing jurisdictions utilizing the NBEO testing process in whole or part, 37 of them (70%) have dropped the requirement of a state optometry examination and are accepting the NBEO examination. Of those 37 jurisdictions, 14 are requiring only the NBEO examination with no further state examination and 23 are requiring a state jurisprudence examination. *statute laws in Alaska*

We recommend the Board of Examiners in Optometry revise regulation 12AAC 48.015 requiring only the NBEO examination along with the State jurisprudence examination. This would remove redundancies in testing that currently require optometrists to pass two exams that are virtually identical.

AK

*practical & oral the
old state exam*

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State of Alaska

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ANALYSIS OF PUBLIC NEED

The following analysis of the Board of Examiners in Optometry (board) activities relates to the public need factors defined in the "sunset" review law, AS 44.66.050. These analyses are not intended to be comprehensive, but address those areas we were able to cover within the scope of our review.

Determine the extent to which the board, commission, or agency has operated in the public interest.

The board has kept to a reasonable meeting schedule, has consistently considered ways to make the licensing process more efficient, and has continued licensing qualified applicants through the use of a valid and relevant examination process.

Determine the extent to which the operations of the board has been impeded or enhanced by existing statutes, procedures, and practices, which it has adopted, and any other matter, including budgetary, resource, and personnel matters.

As discussed in Recommendation No. 2, the board has not been able to establish a process whereby individuals can be licensed solely by credentials. Such constraints serve to unduly restrict access into the profession.

The board has also been impeded in the licensing of qualified optometrists by the requirement to administer a state practical exam. The state practical exam is similar to the exam offered by the National Board of Examiners in Optometry. For further discussion see Recommendation No. 4.

Determine the extent to which the board has recommended statutory changes that are generally of benefit to the public interest.

The board has recommended statutory changes which would permit licensure by credential, licensure by endorsement, and substituting the use of recognized national examinations with an appropriate national board equivalent.

Determine the extent to which the board, commission or agency has encouraged interested persons to report to it concerning the effect of its regulations and decisions on the effectiveness of services, economy of service, and availability of services that it has provided.

The location, date, and time of upcoming meetings and exams were advertised in Alaskan newspapers, as well as on the board's web page, with adequate time for interested individuals to attend or to submit written comment for review. The board's meeting agenda sets aside suitable time for public comment. Board minutes reflect public participation at various meetings.

Determine the extent to which the board has encouraged public participation in the making of its regulations and decisions.

Public notice was given for all proposed regulations in major Alaskan newspapers. The board meeting minutes document that unlimited time was allotted for the scheduled public comment period. All proposed regulation changes are submitted to the public participation process.

Determine the efficiency with which public inquiries or complaints regarding the activities of the board, commission, or agency filed with it, with the department to which a board or commission is administratively assigned, or with the Office of the Ombudsman have been processed and resolved.

For the period between July 1, 1998 and June 30, 2001 (FY 99 – FY 01) the Division of Occupational Licensing opened six cases involving optometrists. The complaints involved:

1. Practice without a license. Two of the complaints were made by optometrists regarding the activities and alleged practice of optometry without a license carried out by representatives of Lasik Vision USA. The division sent out warning letters to the company, stating that any optometric work carried out in the future in conjunction with their commercial activities would have to be performed by individuals licensed in Alaska.
2. Inadequate supervision. In a shop visit conducted by the Division of Occupational Licensing investigators, unlicensed individuals were conducting or assisting in examinations without the appropriate supervision. The optometrist involved entered into a memorandum of agreement with the board and paid a fine.
3. Inappropriate and improper practice. Three complaints were received regarding the inappropriate practice or malpractice of optometry. In one instance no violation was found, the other two were pending further investigation as of August 2001.

We have reviewed the nature and extent of complaints filed involving examiners in optometry. In our view, the Division of Occupational Licensing, in conjunction with the board, took appropriate investigative actions, prioritized complaints in a reasonable manner, and proceeded in a manner consistent with the potential threat the complaints posed to the public welfare.

Determine the extent to which the board regulates entry into an occupation or profession and whether it has presented qualified applicants to serve the public.

New Licenses Issued (Exclusive of Renewals)	FY 99	FY 00	FY 01	Total	Issued to Date
Optometrists with No Endorsement	1	0	0	1	5
Optometrists with Therapeutic Endorsement	9	2	0	11	95
Optometrists with Diagnostic Endorsement	1	0	2	3	5

The Board of Examiners in Optometry has adequate procedures and policies in place regarding the examination process. Applicants for the practice of optometry in Alaska must take all parts of the written and practical examination administered by the NBEO. Board members administer, proctor and grade the state examination while national examinations are graded and proctored by separate organizations. We noted that there are some redundancies with the state practical examination and the practical examination administered by the NBEO. See Recommendation No. 4 for further discussion.

Determine the extent to which state personnel practices, including affirmative action requirements, have been complied with by the board to its own activities and the area of activity or interest.

We did not find any evidence that the board was not complying with the state personnel practices, including affirmative action in qualifying applicants. In no instances has the board denied an applicant a license based on personal attributes.

Determine the extent to which statutory, regulatory, budgeting or other changes are necessary to enable the board to better serve the interest of the public and to comply with the factors enumerated in this subsection.

There are four changes involving statutes, regulations or procedures that are necessary so the board can better operate in the public interest.

1. Eliminate the unnecessary element currently required in the licensing application. (See Recommendation No. 1.)
2. Develop statutes and regulations that provide for licensure by credentials. (See Recommendation No. 2.)
3. Eliminate the conflict between the board's statutes and regulations related to continuing education. (See Recommendation No. 3)
4. Revise regulations related to the practical portion of the state examination. (See Recommendation No. 4.)

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**Department of Community
and Economic Development**

Division of Occupational Licensing

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LEGISLATIVE AUDIT

November 27, 2001

Pat Davidson, Legislative Auditor
Legislative Budget and Audit Committee
Division of Legislative Audit
PO Box 113300
Juneau, AK 99811

Dear Ms. Davidson:

Thank you for the opportunity to comment on the Board of Examiners in Optometry preliminary audit.

The division agrees that the board is operating in an efficient and effective manner and should continue. The board will meet November 30 and will have an opportunity to comment on the preliminary audit recommendations. The following are department comments.

Recommendation No. 1

The Division of Occupational Licensing should rescind licensing application requirements that are unreasonable and have no basis in occupational licensing statutes or regulations.

The preliminary audit recommends elimination of the requirement that an applicant photograph be included in the application for licensure. The division will ask the board to review the need for the photograph during its meeting later this week. In Alaska and in other states individuals have assumed the identities of other professionals and attempted to obtain licensure. Photographs are useful in determining which individual submitted an application.

Recommendation No. 2

The Board of Examiners in Optometry should develop statutory amendments for legislative consideration which will allow the board to license optometrists by credentials.

The board sent a letter to its licensees on September 12, 2001 identifying licensure by credentials as a board goal. The letter stated that the board was soliciting input on statutory language from the American Optometric Association and the Alaska Optometric Physicians Association.

Recommendation No. 3

The Alaska State Legislature should consider amending optometry licensing statutes related to continuing education requirements for optometrists licensed in the State of Alaska.

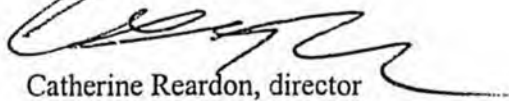
The division agrees that it would be helpful to amend this statute to conform to current regulation and practice.

Recommendation No. 4

The Board of Examiners in Optometry should revise regulation 12 AAC 48.015 to require the NBEO examination and a State jurisprudence examination, eliminating the practical portion of the State examination.

The division supports this recommendation. The board has asked the division to issue public notice of the proposal to revise the examination regulations. The board announced its desire to eliminate the practical exam in its September 12, 2001 letter to licensees.

Sincerely,

A handwritten signature in black ink, appearing to read 'Catherine Reardon', with a long, sweeping flourish extending to the right.

Catherine Reardon, director

SB

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Audit Report

DEPARTMENT OF LABOR AND WORKFORCE
DEVELOPMENT
STATE TRAINING AND EDUCATION
PROGRAM

March 6, 2002



Audit Control Number:

07-30005-02

Division of Legislative Audit

P.O. Box 113300, Juneau, Alaska 99811-3300

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The Legislative Budget and Audit Committee is a permanent interim committee of the Alaska Legislature. The committee is made up of five senators and five representatives, with one alternate from the Senate and two from the House. The chairmanship of the committee alternates between the two chambers every legislature.

The committee is responsible for providing the legislature with audits of state government agencies. The programs and activities of state government now cost more than \$6 billion a year. As legislators and administrators try increasingly to allocate state revenues effectively and make government work more efficiently, they need information to evaluate the work of governmental agencies. The audit work performed by the Division of Legislative Audit helps provide that information.

As a guide to all their work, the Division of Legislative Audit complies with generally accepted auditing standards established by the American Institute of Certified Public Accountants and with government auditing standards established by the U.S. General Accounting Office.

Audits are performed as mandated by Alaska Statutes or at the direction of the Legislative Budget and Audit Committee. Individual legislators or committees can submit requests for audits of specific programs or agencies to the committee for consideration. Copies of all completed audits are available from the Division of Legislative Audit's offices in either Juneau, Anchorage, or our web site <http://www.legis.state.ak.us/legaud/web/default.htm>.

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March 15, 2002

Members of the Legislative Budget
and Audit Committee:

In accordance with the provisions of Title 24 of the Alaska Statutes, the attached report is submitted for your review.

DEPARTMENT OF LABOR
AND WORKFORCE DEVELOPMENT
STATE TRAINING AND EMPLOYMENT PROGRAM

March 6, 2002

Audit Control Number

07-30005-02

One of the main objectives of this audit was to review administration of the state training and employment program (STEP) by the Alaska Human Resource Investment Council and ascertain compliance with state law. We were also asked to review the impact of STEP on the solvency of the unemployment compensation fund and the calculation of employer unemployment insurance tax rates. Further, we were requested to provide detail STEP expenditure information.

The audit was conducted in accordance with generally accepted government auditing standards. Fieldwork procedures utilized in the course of developing the findings and discussion presented in this report are discussed in the Objectives, Scope, and Methodology section.

A handwritten signature in cursive script that reads "Pat Davidson".

Pat Davidson, CPA
Legislative Auditor

TABLE OF CONTENTS

	<u>Page</u>
Objectives, Scope, and Methodology.....	1
Organization and Function	3
Background Information.....	5
Report Conclusions.....	13
STEP Expenditure Analysis	23
Findings and Recommendations	29
Appendices.....	35
Appendix A - Summary STEP Expenditures.....	37
Appendix B – Summary Vendor/Grantee Expenditures by Entity Type	47
Appendix C – Detail Vendor/Grantee Expenditures by Entity Type.....	57
Appendix D – Detail Vendor/Grantee Expenditure by Service Delivery Area	85
Appendix E – Detail Vendor/Grantee Expenditures by Amount	123

OBJECTIVES, SCOPE, AND METHODOLOGY

In accordance with Title 24 of the Alaska Statutes and a special request by the Legislative Budget and Audit Committee, we reviewed the Alaska Human Resource Investment Council's (AHRIC) administration of the state training and employment program (STEP) and other programs with which it is involved, including compliance with state laws and regulations. Additionally, we evaluated the impact of diverting employee unemployment insurance (UI) contributions on the solvency of the unemployment compensation fund and the calculation of employer/employee UI tax rates. Further, we have provided detail STEP expenditure information.

Objectives

The specific audit objectives were:

- Determine whether diversions of employee UI contributions impact the solvency of the unemployment compensation fund.
- Determine whether diversions of employee UI contributions impacted employer UI tax rates.
- Determine whether the practice of diverting employee UI contributions jeopardizes federal funding.
- Evaluate administration of AHRIC and STEP for compliance with statutes.
- Evaluate the STEP grant award process and ascertain whether abuses, such as favoritism, are occurring.
- Provide detail expenditure information giving emphasis to the six statutorily defined program elements.

Scope

We obtained an understanding of STEP administration since the program's creation in FY 90, and focused our review on the five-year period FY 97 through FY 01. Review of AHRIC covered the period FY 97 through FY 01. We also reviewed the newly created Alaska technical and vocational education program's impact on UI trust fund solvency. This review encompassed FY 01.

Methodology

Our evaluation of AHRIC and STEP involved reviewing, analyzing, and testing the following:

- State statutes and regulations

- AHRIC board minutes, committee reports and various publications
- Selected reimbursable service agreements, grant awards, and contracts
- STEP-related request for proposals and scoring/evaluation documentation
- STEP expenditure and budget documentation maintained by the State and service delivery area (SDA) administrative agencies
- STEP client files
- Alaska Training and Vocational Education expenditure documentation
- Attorney General opinions and memorandums of understanding
- Department of Labor and Workforce Development (DLWD) job training promotional materials

Additionally, we interviewed the following individuals:

- DLWD internal auditors
- Alaska Workforce Investment Office program coordinator and staff involved with STEP grants
- AHRIC executive director and program staff
- Municipality of Anchorage and Balance of State job training program coordinators and program staff
- DLWD, Division of Employment Security director and assistant director
- DLWD deputy commissioner
- Attorney with the Legislative Legal and Research Services office

ORGANIZATION AND FUNCTION

The Department of Labor and Workforce Development

Under the provisions of Title 23 of the Alaska Statutes, the Department of Labor and Workforce Development (DLWD) is charged with fostering and promoting the welfare of the wage earners of the State, improving working conditions, and advancing opportunities for profitable employment. The department is responsible for:

- administering employment services, unemployment insurance, and workers' compensation programs,
- enforcing laws and regulations dealing with job safety, hours of work, wages, work conditions, and public employer/employee labor relations, and
- collecting, analyzing, and disseminating labor and population statistics.

Included in the provisions of Title 23 is the Employment Security Division Act.

Employment Security Division

DLWD's Employment Security Division promotes employment, economic stability, and growth by operating a no-fee labor exchange that meets the needs of employers, job seekers, and veterans. By statute, the division's mission is to promote employment and economic stability by responding to the needs of employers and job seekers.

To ensure that job ready workers are available to meet employer needs, the Employment Security Division administers three complementary programs: Employment Services, Unemployment Insurance, and job training through a network of Alaska Job Centers throughout the state. Employment Services includes job placement, job matching and referral, vocational counseling, and job search assistance. Unemployment Insurance provides for the payment of temporary benefits to eligible, unemployed workers while they are seeking employment. Job training services are designed to meet the unique needs of individuals who wish to enter or re-enter the job market, with particular assistance for unemployed workers, low-income adults, youth and others who need help finding stable employment.

Alaska Human Resource Investment Council

Alaska Human Resource Investment Council (AHRIC) is a Governor-appointed council which is organizationally associated with DLWD's commissioner's office. AHRIC provides policy oversight to the Governor and legislature regarding state and federally funded job training and vocational education programs. AHRIC's mission is to facilitate the process necessary to create and maintain an efficient, effective, and integrated human resource investment system. Members of AHRIC represent stakeholder groups in workforce

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development, bringing together public and private sector training providers with employers, so people are being trained for appropriate employment. Council members look at employment trends and emerging occupations to customize training and prepare Alaskans for high demand jobs.

Job Training Programs

State administration of job training programs is organizationally located within DLWD's Alaska Workforce Investment Office. Job training programs are guided by business and community leaders throughout the state. These leaders are represented on the Alaska Workforce Investment Board, and through local workforce investment boards. For purposes of providing services, the state is divided up into two workforce investment areas (referred to in this report as service delivery areas (SDAs)):

- The Municipality of Anchorage and communities within the Mat-Su Borough.
- The Balance of State – areas of the state outside the Municipality of Anchorage and the Mat-Su Borough.

Job training provides help to eligible persons with the ultimate goal of moving them into permanent, self-sustaining employment. Grants are available for state vocational education coordination; older worker training; youth employment and training; a program for dislocated workers, and adult and youth training. The main funding source for job training programs is the Federal Workforce Investment Act program and the State's Training and Employment program.

Training providers may be state and local governments, public and private nonprofit agencies, Native organizations, community-based organizations, educational agencies, labor organizations, and for-profit businesses.

BACKGROUND INFORMATION

State training and employment program (STEP) created in FY 90

STEP was created to address a finding by the legislature that an inadequate number of jobs existed in Alaska to meet the needs of those seeking employment. Alaskans were having difficulty finding jobs, a situation which was exacerbated by the changing technological needs of employers. Since its initial authorization in 1989 as a two-year pilot program, STEP has been reauthorized several times. Authorization for the program ends June 30, 2002, unless legislation is approved to continue the program. Legislation was introduced during January 2002 to reauthorize STEP and make it a permanent program.

Original legislative intent language specified three main program objectives:

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

Not all residents of Alaska are eligible to participate in STEP. Exhibit 1 shows the statutory definition of people to be served by STEP. Eligibility is limited to three main groups:

- unemployed individuals eligible to receive unemployment insurance benefits or who have exhausted the right to receive benefits within the past three years,

Exhibit 1

Eligibility Criteria

AS 23.15.635 limits STEP services to residents who

- (1) *are unemployed and*
 - (a) *are receiving unemployment insurance benefits; or*
 - (b) *have exhausted the right to unemployment insurance benefits within the past three years;*
- (2) *are employed, but liable to be displaced within the next six months because of*
 - (a) *reductions in overall employment within a business;*
 - (b) *elimination of the worker's current job; or*
 - (c) *a change in conditions of employment requiring that, to remain employed, the employee must learn substantially different skills that the employee does not now possess; or*
- (3) *have worked in a position covered by AS 23.20 at any time during the last three years, and are not currently eligible for unemployment insurance benefits because*
 - (a) *their employment has been seasonal, temporary, part-time, or marginal;*
 - (b) *their qualifying wages are insufficient because of limited job opportunity; or*
 - (c) *they are employed but, because they are underemployed, they are in need of employment assistance and training to obtain full employment.*

- people currently employed but liable to be displaced within the next six months for specific reasons, and
- people who have contributed to the employment security program during the past three years but are not eligible to receive benefits for specific reasons.

AS 23.15.640 specifies that an entity receiving STEP funding shall provide at least one of the following six program elements:

- Industry-specific training
- On-the-job training
- Institutional/classroom job-linked training
- Support services (including allowances)
- Relocation assistance
- Tools, work-related clothing, safety gear, or other items necessary to obtain or retain employment

Alaska Human Resource Investment Council (AHRIC) formed in FY 97

AHRIC is the lead state planning and coordinating entity for state human resource programs. Additionally, AHRIC acts as the lead planning agency for several federal programs. The federal program that has occupied most of AHRIC's resources is the Job Training Partnership Act (JTPA) program. In FY 01, JTPA was replaced by the federal Workforce Investment Act (WIA) program. AHRIC played a major role in planning for the transition from JTPA to WIA and continues as the lead planning agency for WIA.

According to AS 23.15.645, DLWD is required to award AHRIC a grant to administer STEP and make subgrants to qualified training entities. AHRIC works with DLWD's Alaska Workforce Investment Office (AWIO) to determine the amount of STEP funding to allocate for training. AWIO assists AHRIC with issuing the STEP grant awards and monitoring use of the funds.

Administration of STEP tied closely to administration of JTPA/WIA

Since its creation in FY 90, STEP administration has mirrored the procedures already in place to administer the federal JTPA program. As was customary for the JTPA program, the training portion of STEP funding was transferred to the state's Job Training Partnership Office (AWIO's predecessor). Using information prepared by DLWD's research and analysis office¹, JTPO would award grants for providing services in the three service delivery areas (SDAs): Fairbanks, Statewide, and the Anchorage/Mat-Su area.

In each SDA, private industry councils (PICs) had been formed under JTPA to serve as its policy/program arm. Their purview was extended to encompass STEP. These entities

¹ Information included a non-resident hire report, unemployment statistics, unemployment insurance claims, occupational and industrial projections and other relevant data. The information was used to prepare a prioritized list of targeted projects or services.

solicited and awarded grants to other entities to provide STEP services, provided services themselves or contributed funds for individualized training. The City of Fairbanks served as the Fairbanks SDA administrative agency. In Anchorage, the Municipality of Anchorage (MOA) served as the administrative agency. The state employed a statewide SDA coordinator and also served as the administrative agency for the statewide SDA.

When JTPA was replaced by WIA, the SDAs were restructured into two main areas; the Anchorage Mat-SU area and the Balance of State (BOS) area. PICs were replaced by local workforce investment boards and the JTPO was renamed the Alaska Workforce Investment Office (AWIO). The change in SDA names can be seen by comparing FY 99 to FY 00 summary STEP expenditure tables in appendix A of this report.

STEP funding reaches clients in one of two ways. One is the referral process in which the state or municipal employment coordinators work directly with clients to assess their need for training or support services. This process determines which vendor or training institution would best meet a client's needs. The other is through the SDA grant award process. Grantees are often required to recruit STEP eligible individuals and assist with the placement of trainees.

The unemployment compensation fund and the unemployment insurance (UI) tax rates

Unemployment compensation is a self-supporting insurance program. Over the long run, employer and employee UI tax contributions must be enough to pay benefits to claimants. All states have an unemployment insurance program. However, Alaska is one of only two states that tax employees. In other states, employers bear the full cost of the UI program.

Employers make payments to the UI system in two different ways. Employers are either taxable or reimbursable. In order to become reimbursable, an employer must apply to DLWD. Taxable employers make quarterly tax payments, determined by their assigned tax rate and the amount of taxable payroll. Reimbursable employers repay the UI trust fund for the amount of UI benefits paid to their former employees. Reimbursable employers are generally large organizations with stable workforces, such as state and municipal governments, but also include private, non-profit organizations. Employees working for reimbursable employers do not contribute to the UI program but are eligible for STEP services.

DLWD's article in the July 2001 Alaska Economic Trends publication entitled *Financing UI Benefits*, gives a thorough explanation of the UI tax structure. According to this article, Alaska's tax structure is self adjusting. The tax base automatically adjusts to changes in average earnings, and the tax rate automatically adjusts to changes in benefit costs, payroll, and the trust fund reserve ratio.

The article further states that tax rates have three essential components: the average benefit cost rate, individual employer experience factors, and the trust fund solvency adjustment. Exhibit 2 (page 8) summarizes the formulas for calculating the employer and employee tax rates. The employee tax rate is simpler, involving only the average benefit cost rate. The

employer tax rate incorporates all three components. Exhibit 3 on page 9 shows DLWD's calculation of the 2002 tax rate.

The average benefit cost rate is defined as the cost of benefits over the most recent three-year period ending June 30, divided by the total taxable payroll of contributing employers over the first three of the last four years ending June 30. According to DLWD, basing the calculation on three-year periods makes the system "counter-cyclical." This means that contribution rates increase slowly or even decrease during recessions as the trust fund is drawn down, then increase more rapidly during periods of economic stability or growth to replenish the fund.

Exhibit 2

Tax Rate Formulas

Employer tax rate = the trust solvency adjustment plus eighty percent of the average benefit cost rate adjusted for experience

Employee tax rate = twenty percent of the average benefit cost rate

Prior to January 1, 1997, employers paid 82 percent of the average benefit cost rate and employees paid 18 percent. Beginning in 1997, employees began paying 20 percent and employers' contribution declined to 80 percent.

The experience factor also impacts employer rates. Experience factors are designed to require employers that have a high rate of layoffs to contribute more to cover the extra costs of benefits. Experience factors are assigned by DLWD and are based on employers' wage history and the timeliness of reports and payments.

The trust fund solvency adjustment is the final component of employer tax rates. Its purpose is to ensure that the unemployment compensation fund balance is sufficient to provide benefits during recessions. According to DLWD, the benefit cost rates are not always adequate to do this. Therefore, a surcharge is added to employers' tax rates if the trust fund reserve rate falls below 3 percent. A credit is provided to reduce employers' tax rates if the reserve rate equals or exceeds 3.3 percent. The trust fund solvency adjustment is applied uniformly to all employers at a rate between negative .4 percent to positive 1.1 percent, depending on the trust fund reserve rate, in accordance with schedule in AS 23.20.290(f). The solvency adjustment may be increased or decreased by only a maximum of .3 percent from one year to the next. Exhibit 3 (page 9) shows the tax rate calculation for 2002. After the employer rates are calculated, they are adjusted for each employer based on their experience rating.

Establishment of Alaska Technical and Vocational Education (ATVE) program

In FY 01, AS 23.15.820 through AS 23.15.850 created the ATVE program to award grants to technical and vocational entities. ATVE grants must be used for industry-specific training, on-the-job training, or institutional or classroom job-linked training. AHRIC is charged with administering the program and developing regulations to carry out its purpose.

During the first year of the program, ATVE proceeds were not awarded through the grant award process. Proceeds of approximately \$4 million were directly appropriated to the following entities for programs consistent with the ATVE program and capital improvements: University of Alaska (\$2,215,386), Kotzebue Technical Center (\$681,657) and the Alaska Vocational Technical Center (\$1,363,315). According to the sponsor statement for the initial legislation, funds were appropriated directly to these entities because AHRIC would not have the opportunity to develop regulations and solicit grant applications. Our review found that almost all of the FY 01 ATVE appropriation was used for capital projects.

Exhibit 3			
Tax Rate Calculations for 2002 (\$ in millions)			
	(A) Benefit Cost	(B) Total Payroll	(C) Taxable Payroll ²
FY 1998		\$6,125	
FY 1999	\$107	\$6,310	
FY 2000	\$101	\$6,631	
FY 2001	\$99	\$6,998	\$4,528
(D) Benefit Cost for 3 Previous FY			\$307
(E) Total Payroll, First 3 of Last 4 FY			\$19,066
(F) 3-Yr Benefit Cost/Total Payroll (D)/(E)			0.016
(G) Taxable/Total Payroll, Last FY (C)/(B)			0.647
(H) Average Benefit Cost Rate (F)/(G)			0.025
(I) UI Trust Fund Balance, Sept. 30			\$223
(J) Total Payroll, Last FY			\$6,998
(K) UI Trust Fund Reserve Rate (I)/(J)			0.032
(L) Solvency Adjustment (per table in AS 23.20.290(f))			0.000
(M) Average Employer Tax Rate as a Percent of Taxable Payroll (Eighty percent of (H) plus (L))			1.99%
(N) Average Employee Tax Rate (Twenty percent of (H))			0.50%
<i>Provided by DLWD, Division of Employment Security</i>			

² State taxes are assessed on wages up to a set taxable wage base. The tax base is defined in AS 23.20.175(c) as 75% of the average annual earnings in covered employment for the immediately preceding year ending June 30. The state taxable wage base in 2001 was \$25,500.

Funding for the STEP and ATVE programs

Both STEP and ATVE are funded through employee UI contributions. Per statute, employee UI contributions to the unemployment compensation fund (referred to in this report as the UI trust fund) are transferred into the STEP and ATVE accounts within the General Fund. The amount of the transfer for each program is equal to one tenth of one percent of wages subject to the UI tax. Based on the tax rate calculations for 2002 (Exhibit 3, page 9), a total of 40% of employee contributions will be diverted for the STEP and ATVE programs.

UI trust fund balance statistics

During our review, we compiled UI trust fund statistics: average fund balance, total benefits paid, total STEP diversions, total ATVE diversions and the amount transferred from the STEP account to the UI trust fund. The information in Exhibit 4 is provided from FY 90 through FY 01.

Exhibit 4

Fiscal Year	Average UI trust fund balance	Total UI Claims Paid	STEP Diversions	ATVE Diversions	Transfers from STEP to UI
90	\$177,134,283	\$101,860,000	\$2,162,860	\$ 0	\$ 0
91	218,703,292	120,518,789	3,103,325	0	1,743,618
92	226,616,664	166,375,690	3,800,144	0	1,271,061
93	220,606,153	187,717,936	3,860,988	0	1,807,305
94	211,899,005	184,655,582	3,477,874	0	512,538
95	197,568,757	137,395,057	3,550,270	0	577,698
96	186,785,877	141,281,857	3,727,263	0	836,022
97	182,195,243	132,590,356	3,695,470	0	793,470
98	191,341,143	128,184,905	3,880,418	0	306,428
99	198,438,373	133,604,579	4,317,506	0	0
00	195,979,350	126,674,515	3,852,417	0	0
01	208,201,423	122,342,638	4,262,856	4,260,358	0

Special status as a dedicated revenue source

Employer and employee UI tax contributions are dedicated sources of revenue under the "grandfather clause" contained in Art. IX, Sec. 7 of the Alaska Constitution. This means that the taxes can be collected and used for a specific purpose rather than deposited into the State's General Fund and made subject to the legislative appropriation process. Our review of STEP raised concerns that diverting a portion of employee contributions may compromise its special status as a dedicated revenue source.

CORRECTION

THE FOLLOWING DOCUMENT(S)
HAVE BEEN REFILMED TO
ASSURE LEGIBILITY OR PAGINATION



Central Microfilm Services
Department of Education & Early Development
State of Alaska

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An attorney general's opinion dated August 19, 1983 states:

Consequently, the intent of the drafters of the Constitution of the State of Alaska was to permit the continuance of existing dedications at the then existing rates until the legislature saw fit to exercise the only power retained in relation to them: that is, the power to repeal.

It goes on to state:

A dedication must be continued, if at all, in exactly the same form. Any attempted alteration short of repeal is a nullity. A dedication encompasses (1) proceeds or part of the proceeds of a tax or license (2) set aside at a certain rate (3) for a particular purpose. The legislature has no power to raise or lower the dedication by increasing or decreasing the tax or license fee or the rate thereof which is set aside. Also there is no power to broaden or reduce the purposes for which an existing dedication is made, for to do so is to alter the dedication itself.

We contacted the Legislative Legal and Research Services office regarding this issue. They provided, in part, the following guidance:

The funding mechanism of the STEP and ATVE programs do not violate the constitution in and of themselves but they could readily be seen as modifications to the dedicated fund of employee contributions to the UI fund. This could in turn threaten the continued existence of the employee contributions as a dedicated fund. The court might find that the two diversions were in reality a change in the purpose of the original dedicated fund and thus cause the entire dedication to be ended. Alternately the court might find that the dedication rate was lowered by these diversions to the STEP and ATVE programs, and that the dedication continues in its diminished state, but that it cannot be increased again to its former level without destroying the grandfathered dedication. This interpretation would be difficult to explain in light of the constant fluctuation in the rate of employee contributions as required by the UI fund to sustain itself.

In summary, it is difficult to determine how courts would rule on the diversions of employee contributions. As such, attorneys can only guess as to the impact of the STEP and ATVE diversions on UI's special status as a dedicated revenue source. If employee contributions have lost their dedicated funding status, then it would be necessary for the legislature to appropriate the employee contributions to the UI fund. Regardless of the employee contribution dedication status, the revenues being diverted for STEP and ATVE programs should be appropriated to those accounts within the State's General Fund.

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REPORT CONCLUSIONS

In recent years, AHRIC has taken more of a leadership role for the STEP program

AHRIC played a minimal role in guiding the STEP program during FYs 97 through 99. Review of committee minutes and other AHRIC documentation showed that the council focused its efforts on gathering information from stakeholders regarding the training and employment needs of Alaskans. However, until FY 00 this important information was not translated into formal guidance for DLWD regarding target areas for the use of STEP funding.

In May 1999, AHRIC created and approved a STEP plan. Exhibit 5 summarizes its main action steps. A more comprehensive STEP plan was also created by AHRIC for inclusion in the WIA unified plan in April 2000.

Exhibit 5

STEP Plan Action Steps May 21, 1999

- Market STEP to employers
- Support Job Center employment assistance activities
- Create a Governor's Discretionary Fund for statewide activities (15% of total)
- Reduce administrative reporting by eliminating certain unnecessary reports
- Develop a uniform STEP grant and grant process
- Develop a full STEP plan for inclusion in the WIA Unified Plan.

AHRIC has generally complied with statutes

We reviewed actions taken by AHRIC to comply with its enabling statutes. Alaska statutes list numerous duties and functions that AHRIC must perform. Many of the statutory requirements were effective in FY 99.

In general, our review concluded that AHRIC had taken action to comply with its statutory requirements. The council created a statewide policy for a coordinated and effective employment training and education system in the state (also referred to as its strategic plan). It participated in forming business learning consortia in Alaska for the health care; oil, gas and mineral processing; information technology; and transportation industries. AHRIC reviewed the provision of services and the use of money and resources by human resource programs. Additionally, it developed performance standards to be used to evaluate results of workforce training programs and recommend areas for improvement. Further, statutes require that AHRIC review specific programs administered by various state departments to determine whether the programs fall within its oversight. AHRIC accomplished this review and concluded none of the programs were within its oversight authority.

However, AHRIC has not taken timely action to comply with AS 23.15.580(b)(11). This statute required AHRIC adopt regulations to carry out its duties. AHRIC finished the draft regulations in FY 01. At the time of this review, the regulations were still being reviewed by the Attorney General's office.

Improvement needed in the administration of STEP in order to comply with statutes

We were asked to evaluate whether STEP was being administered in accordance with statutes and regulations. Generally, we found that STEP was being administered in accordance with statutes, with five main exceptions.

Only a portion of people eligible for STEP are served by the program

Statutes have made STEP services available to many Alaskan residents. (See Background Information for the statutory eligibility guidelines for STEP.) However, only a portion of the people eligible for STEP know about the program's services. This is due to the way STEP has been administered.

Under its current administration, there is no systematic marketing effort to make eligible people aware of the STEP program. People may learn about the availability of services while working with state or municipal employment coordinators. According to MOA employment coordinators, word-of-mouth is the most common way people learn about the availability of STEP. STEP grantees may recruit through the media for individuals to attend specific training. However, recruitment is generally limited to individuals interested in a specific industry.

The scope of services in MOA's STEP grants limits eligibility to the unemployed. Since approximately 80 percent of MOA's STEP expenditures are incurred by its grantees, we conclude that most of MOA's STEP funds are serving unemployed individuals. MOA stated that its one-stop centers adequately serve other STEP eligible individuals (such as individuals expecting to be laid off or displaced and those that are underemployed). We disagree with that statement based on a general lack of outreach for the STEP program to currently employed Alaskans.

In summary, SDAs and DLWD are failing to reach all those eligible for STEP. This is further discussed under Recommendation No. 1 in the Findings and Recommendations section of this report.

STEP is displacing federal and possibly private training funds

STEP was created to assist those individuals who failed to meet JTPA's strict eligibility requirements, and to provide training services for people who needed training but weren't being served through other federal, private or public training programs. STEP was intended to augment existing services, and to be used only after federal, private or public training funds have been exhausted. See Exhibit 6 (page 15) for the statutory prohibition against displacing other training programs/funds.

As part of our review of client files, we found SDAs were not consistently requiring federal JTPA/WIA programs be utilized before STEP funds were authorized. As discussed in Recommendation No. 7, we tested 50 client files at MOA. We found that in 11 of the 50

cases (22%), MOA employment coordinators used STEP funds when clients were potentially eligible for JTPA/WIA.

Of the ten FY 00 HRC client files tested (MOA's contractor that serves the Mat-Su area), we found that three clients should have been eligible for JTPA. July 2000 was the first time HRC staff were made aware of the requirement to use STEP only after other funding sources were exhausted. We did not find similar errors when testing HRC's FY 01 client files.

Our review of BOS³ client files found no such errors. However, we did detect that both BOS and MOA grantees were funded with STEP funds even though WIA funding had not been exhausted. Per the BOS state coordinator, STEP grantees are not required to ascertain each person's eligibility for WIA when recruiting. This type of determination would require a thorough knowledge of WIA federal regulations which STEP grantees often do not have. Both MOA and BOS carried forward federal WIA funding into FY 02. MOA carried forward over \$676,000 of adult and dislocated worker funding, and BOS carried forward approximately \$2 million in adult and dislocated worker funding. Using STEP funds before exhausting federal funds violates AS 23.15.651.

STEP also potentially displaced private funding through union training programs. STEP funding of union-sponsored training programs has increased dramatically. In FY 97, unions received approximately \$277,000 of STEP funds. In FY 01, unions received approximately \$759,000. Both AHRIC's executive director and AWIO's program coordinator praise the partnership between STEP and unions, stating that STEP money is leveraged with union funding which allows for more people to be trained with less STEP funding. Further, unions are credited with placing trainees in good paying jobs.

We acknowledge that unions are a valuable partner in training Alaskans. However, given that unions have a funding source for training through their dues collection process, we question how DLWD and AHRIC ensure that STEP funding is not being used by unions to supplant rather than to leverage.

Exhibit 6

Prohibition against displacing other training programs/funds

AS 23.15.651. Duties of Alaska human resource investment council; grant; eligible entities.

Section (a)(2) states

Its activities do not replace or compete in any way with a federally approved, jointly administered apprenticeship program or any other existing training programs.

Section (a)(2)(b) states

The council may not award a grant if the grant would displace money available through existing public or private training programs.

³ BOS refers to Balance of State, the service delivery area not covered by MOA.

Requirement to reimburse department not actively enforced

Effective in FY 01, AS 23.15.640(c) required that STEP clients, to the extent it is economically feasible, reimburse the state for the receipt of tools, work-related clothing, safety gear or other items necessary to obtain or retain employment. It also required DLWD implement this requirement by regulation.

In response, AWIO created a promissory note that STEP clients are required to sign prior to the receipt of such items. It also codified reimbursement requirements in draft regulation 8 AAC 87.135. Under this regulation, only people who meet *all* of the following conditions are required to repay the cost of provisions.

- The participant has exited STEP.
- The participant has been continuously employed for a minimum of six months.
- The participant, following exit of the program, has earned an income which is at least twice the federal lower income level during the six month period (approximately \$20,500 for a single person and \$45,000 for a family of four).
- The participant has no financial circumstances that prevent repayment.

We question the effectiveness of this regulation. In our view, limiting application of the reimbursement statute to those STEP graduates who enter continuous employment and receive a minimum of \$20,500 in wages within six months is unduly restrictive. At the time of our review, no repayments had been received by DLWD or its grantees.

We also found that DLWD has no procedures in place to enforce the promissory notes signed by STEP participants. Staff working with STEP clients did not know which agency was responsible for collecting the repayments. The database is not collecting the detailed financial information necessary to identify STEP clients that meet the conditions specified in regulation.⁴ Further, no procedures are in place to notify clients when reimbursement is expected.

Statutory program elements do not include employment assistance

As discussed in the STEP Expenditure Analysis section of this report, one of the activities funded by STEP is employment assistance. Employment assistance includes assessment, counseling, resume preparation, and similar activities to help a person obtain employment without providing specific training. Much of employment assistance expenditures go toward paying wages and benefits for state and municipal employment coordinators. These costs are a significant category of STEP expenditures.

AS 23.15.640 specifies that an entity receiving STEP funding shall provide at least one of six program elements: industry-specific training, on-the-job training, institutional/classroom job-linked training, support services (including allowances), relocation assistance, or tools, work-

⁴ The shortcomings of STEP's database and format for financial reporting are discussed in Recommendation No. 6 in the Findings and Recommendations section of this report.

related clothing, safety gear, or other item necessary to obtain or retain employment. Employment assistance is not covered under any of the six program elements. Therefore, it is questionable whether these costs are considered allowable under STEP.

DLWD contends that employment assistance is a type of support service, which is an allowable program element. We disagree. STEP was created to fill the training gap left by JTPA and was intended to be used as a last resort. DLWD employment assistance activities funded, in part, by the federal Wagner Peysen program were available to clients prior to the creation of STEP. If STEP was intended to be used for such activities, we believe it would have been a specifically allowable program element in statute. However, we do agree with DLWD that assessment and counseling activities are essential to the determination of training needs, and that resume preparation and similar activities are often the most cost effective means of moving a client into employment. As such, DLWD should consider pursuing legislation to specifically identify employment assistance as an allowable STEP program element.

Administrative costs exceed maximums defined in statute

Alaska statutes provide two separate methods of calculating allowable STEP administrative expenditures. AHRIC and DLWD must comply with both. The first, AS 23.15.645(e), became effective in FY 97. It defined maximum administrative costs as 20 percent of STEP proceeds (revenue). AS 23.15.645 (e) states:

In making a grant under this section, the council shall require that the qualified entity and grantees of the qualified entity limit the amount of the grant proceeds spent on administration so that the total spent on administration from the proceeds of the employment assistance and training program account, including amounts spent by the council itself, does not exceed 20 percent. The amount collected and remitted in accordance with the shared cost requirements of the federal office of Management and Budget Circular A-87 entitled "Cost Principles for State and Local Governments" is not considered an amount spent on administration under this subsection.

The second, AS 23.15.580(b)(8), became effective in FY 99. It defined maximum administrative expenses as 15 percent of STEP expenditures. AS 23.15.580(b)(8) states:

[the council shall] adopt regulations that set standards for the percentage of a grant that may be used for administrative costs; the regulations must clearly identify and distinguish between expenses that may be included in administrative costs and those that may not be included in administrative costs; the percentage allowed for administrative costs may not exceed the lesser of 15% or the amount permitted under the requirements of a federal program, if applicable.

In order to comply with the administrative maximum in statute, DLWD began budgeting for administrative costs by multiplying the STEP authorization by 20 percent. Our review found that STEP administrative expenditures were 14 percent of STEP proceeds in FY 97 and 13 percent in FY 98, well within the 20 percent maximum defined in statute.

When AS 23.15.580(b)(8) became effective in FY 99, DLWD failed to recognize that compliance now limited administrative costs as a percentage of STEP expenditures rather than STEP proceeds. DLWD lapsed significant amounts of training funds, yet spent most of its budget for STEP administration. Consequently, administrative costs were 24 percent of STEP expenditures in FY 99, 23 percent in FY 00 and 21 percent in FY 01. These percentages are far in excess of the 15 percent statutory maximum. See Recommendation No. 4 in the Findings and Recommendations section of this report for further discussion.

Testing found no indication of favoritism in awarding grants or referring clients to vendors

We reviewed the procedures used by SDA administrative agencies when awarding STEP funds to grantees. Both MOA and BOS used a request for proposal (RFP) process whereby a notice is published soliciting grant proposals. Proposals are then reviewed and scored by a committee using standard criteria. Proposals with the highest scores are awarded grants within the limits of available funding.

We conclude that membership on the proposal review committee represented various interests (such as private industry, state agencies, unions, Native organizations, and training organizations) with no interest having more than one vote. Proposals were evaluated using objective criteria and scoring instruments. Further, the RFP and/or grant notification letters informed respondents of the appeal process.

We also tested over 70 client case files and found no indication of favoritism in referring clients to specific vendors. According to employment coordinators, STEP is following in the path of WIA and moving toward client selection. Making the choice the client's responsibility will help reduce the potential for fraudulent dealings between employment coordinators and vendors.

Need and purpose of STEP should be reevaluated in light of changing federal law

The need for STEP was generated by the failure of the federal JTPA program to meet the training needs of Alaskans. Our review found that STEP mainly provided employment assistance and training for individuals determined ineligible for the federal JTPA program. Many people were found ineligible for JTPA because of its restrictive eligibility requirements. For example, in order for an individual with no spouse or dependents to be found eligible for JTPA, he/she could not have earned more than \$5,000 in the past six months and had to possess a barrier to employment. Additionally, JTPA would not pay for industry-specific training. STEP was needed to fill the training void created by JTPA's restrictive eligibility requirements and its prohibition against funding industry-specific training.

In FY 01, WIA replaced JTPA. WIA has much more inclusive eligibility requirements than JTPA and allows funding for industry-specific training. Under WIA, an individual with no spouse or dependents could earn up to \$12,000 and still be eligible. This is over twice

JTPA's income threshold. Further, WIA eliminated the eligibility requirement that an individual also possess a barrier to employment.

Exhibit 7 summarizes the impact of WIA on STEP caseloads. As expected, employment coordinators enrolled fewer clients in STEP due to the availability of WIA. However, clients served by grantees increased. SDAs were not requiring STEP grantees to determine whether clients are eligible for WIA prior to providing STEP funded services. See Recommendation No. 7 in the Findings and Recommendations section of this report for additional discussion regarding STEP displacing federal training funds.

In summary, WIA has addressed many of the reasons STEP was created. In our view, the purpose of STEP should be reevaluated and the program restructured in order to more fully serve to the state's current training and employment needs.

Exhibit 7

STEP Caseloads Decrease in FY 01

We compared STEP caseloads in FY 00 (under JTPA) to FY 01 (under WIA) for BOS and HRC which administers STEP in the Mat-Su area. The comparison shows a dramatic decrease in STEP clients served by employment coordinators.

MOA activity is not included because they did not keep client data that identified whether the client was served by an employment coordinator or a grantee/vendor. MOA's total STEP caseload remained stable (387 in FY 00 and 388 in FY 01). HRC does not pass through STEP funding to grantees, therefore, its entire caseload is served by employment coordinators.

	BOS			HRC		
	FY 00	FY 01	Percent Change	FY00	FY01	Percent Change
Employment Coordinators	677	323	(52%)	149	45	(70%)
Grantees/Vendors	434	707	63%	0	0	0%

Since WIA's eligibility requirements are more inclusive, we expected employment coordinators to find fewer clients eligible for STEP during FY 01 than in FY 00. We also expected to see a similar decline in STEP clients served by grantees. However, this was not the case in FY 01.

There are two main reasons that STEP clients served by grantees increased rather than decreased. First, BOS administrative staff anticipated a decrease in clients served by its employment coordinators and made more of its STEP funding available to grantees. The additional funding allowed grantees to perform more recruitment and outreach for the program thus, STEP clients increased. Secondly, STEP grantees were not required to determine whether clients were eligible for WIA. New clients were therefore funded through STEP, thus increasing the number of clients served by STEP.

No precise measurement available for STEP and ATVE benefits

The STEP program is based on the premise that training turns UI claimants into UI contributors. Each year DLWD's Research and Analysis (R&A) section produces an annual evaluation of the STEP program as required by statute. One of the report's measures of program success is the extent STEP reduces future claims against unemployment. In order to calculate the reduction of claims, R&A compares the amount of claims paid to STEP clients in the five quarters preceding training to the five quarters post-training.

This methodology may be helpful to DLWD for program management. However, it does not provide a precise measurement of the impact of STEP on the UI trust fund which is needed to ascertain whether STEP savings to the UI trust fund equal or exceed the cost of the program. DLWD's methodology has several shortcomings. It includes all individuals exiting from the STEP program regardless of whether they received training from other training programs. In FY 99, approximately 25 percent of people exiting from STEP also exited other training programs during the year. DLWD's method of calculating the reduction of UI claims does not take other training programs into consideration and attributes all of the savings to the STEP program. This potentially overstates savings.

We also question DLWD's methodology of comparing the five quarters pre-training to the five quarters post-training. This practice produces biased results since people may exhaust their eligibility for UI claims and return to the workforce regardless of training.

Another shortfall to DLWD's methodology is that the reduction in claims is calculated for only one year. However, benefits from training may continue for more than one year. Limiting the review to one year understates the resulting savings.

R&A staff stated that the only way to provide a true measurement of UI trust fund savings would be to have a control group for comparison. However, in order to obtain a control group, eligible Alaskans would have to be assigned to the STEP program randomly while others were denied services. R&A staff also stated that the reduction of UI claims is not the only impact to the fund that could be attributed to STEP. Another of STEP's objectives is to attract Alaskan employers through the availability of a skilled workforce. If successful, this would increase the taxable wage base and increase both employee and employer contributions into the fund.

In summary, it is not possible to precisely measure the impact of STEP on the UI trust fund balance. DLWD's method for calculation does not demonstrate that savings equal or exceed the STEP related diversions from the UI trust fund. As discussed below, unless diversions from the fund are recouped through savings, employers' tax rates will eventually increase.

The purpose of ATVE is similar to STEP, yet the magnitude of the financial impact on UI trust fund balance is much different. ATVE is funded in the same manner as STEP, a portion of employee UI contributions are diverted from the UI trust fund and deposited in to an ATVE account. In FY 01, activities funded by ATVE did not result in any direct or measurable benefit to the UI trust fund's balance. This is in contrast to STEP, where at least a

portion of activities result in a reduction of unemployment claims or an increase in the taxable wage base. As a result, the full cost of ATVE is borne by Alaskan employers through increases in the trust solvency factor of employer UI tax rates. The relationship between diverting UI contributions and increases in the trust solvency factor is further discussed below.

STEP and ATVE programs adversely affect the trust solvency factor

STEP is funded by diverting a portion of employee UI contributions. The employee contribution rate is established in statute and does not vary with the changing balance of the UI trust fund. In contrast, the UI tax rate paid by employers is affected by the changing balance of the UI trust fund.

Employer tax rates are adjusted, in part, according to the balance of the UI trust fund. If the UI trust fund balance is below a certain threshold, employer rates are increased by adding a solvency factor to the tax rate in accordance with a statutorily determined scale. Alternatively, if the UI trust fund balance exceeds a set level, rates are reduced through a credit to the employer's tax rates. Ultimately, to the extent that the financial benefits from the STEP and ATVE programs do not equal the amount of the employee diversion, employers will pay the difference through higher UI taxes.

As difficult as it is to measure the financial benefits from the STEP and ATVE programs, it is equally difficult to determine when, and to what degree, employer UI tax rates have been affected. Relying on information from DLWD's R&A section, we estimate that employer UI tax rates were first affected by STEP in 1996.⁵ It appears that employer UI tax rates did not decrease by as much as they would have if there were no STEP program.

It is important to note that only taxable employers, as opposed to reimbursable employers, bear the financial burden of the STEP and ATVE programs. Reimbursable employers pay the actual cost of unemployment benefits paid to their former employees. Changes in the UI trust solvency factor do not affect the amounts paid by a reimbursable employer. Some of the employers who pay UI benefits on a reimbursable basis are large employers, such as the State of Alaska. While the financial burden of the STEP and ATVE programs are borne by taxable employers, participation in the STEP program is available to current and former employees of both taxable and reimbursable employers.

From the federal government's perspective, the funding mechanism for STEP and the ATVE program is of no consequence. The federal government only requires that employers contribute to the state's UI trust fund and that the state's tax structure assures that the fund remains solvent. The trust fund solvency factor insures that the fund maintains an adequate balance to pay benefit costs. Hence, diverting employee contributions does not violate federal law and does not jeopardize federal funding.

⁵ STEP began in 1990.

STEP expenditures from FY 97 through FY 01

Expenditures for STEP are summarized in the STEP Expenditure Analysis section and Appendices A through E of this report. The STEP Expenditure Analysis section discusses the costs to administer STEP, the types of vendor/grantee that received STEP funding and the vendor/grantee activities funded by STEP. Appendix A summarizes STEP expenditures for FY 97 through FY 01 STEP authorizations. Appendices B through E present summary and detail vendor/grantee expenditures for the STEP program elements.

The existing state training and employment program should be reauthorized for four years

Authorization for STEP will expire on June 30, 2002 unless the program is reauthorized. Our review found that the new federal WIA program, effective in FY 01, addressed many of the reasons STEP was created. WIA has more inclusive eligibility requirements causing a decrease in the need for STEP. Our review also found there were many people eligible for STEP who were unaware of program.

We believe that the purpose of STEP needs to be realigned with the State's current training and employment needs. Because the STEP program needs restructuring, we are recommending that the program not become permanent at this time. Instead, we recommend that STEP be authorized for four years and that DLWD report to the legislature on its progress in addressing this report's findings, recommendations and conclusions within two years. At that time, DLWD and AHRIC should make recommendations for programmatic modifications to realign the STEP program to fill the State's current training gaps.

At a minimum those recommendations should include:

- Statutory clarification of the allowability of employment assistance as a program element.
- Eliminate AS 23.15.645(e) regarding the administrative cost limitation in favor of AS 23.15.580(b)(8), the more recent statute governing the same cost limitation.
- An action plan, including timelines, for implementing the recommendations made in this report.
- Other statutory or regulatory changes necessary to ensure STEP is the training program of last resort.

A four-year reauthorization time period will give DLWD an opportunity to address the issues identified in this report and restructure the STEP program to meet the current training needs of Alaskan employers and employees.

STEP EXPENDITURE ANALYSIS

As part of the audit request, we were asked to provide annual and cumulative STEP expenditures by grant recipient and program participant from FY 90 through FY 01. State record retention schedules limit retention to the previous three fiscal years, in addition to the current fiscal year. Consequently, we were unable to provide expenditure information prior to FY 97. Further, we were unable to report expenditures summarized by program participant. The participant database was not designed to accumulate detail financial data.⁶ Appendix A of this report summarizes expenditure information for FY 97 through FY 01 STEP authorizations.

Administrative agencies for each SDA were required to provide detail vendor/grantee schedules as part of their STEP annual reports. These reports allowed us to summarize and report detail vendor/grantee expenditure information. Several different sorts of this information are provided in this report to help ascertain whether any abuses, such as favoritism or discrimination, were occurring. The vendor schedules are found in Appendices B through E of this report.

Cost of Administering STEP

The cost of providing STEP training in the SDAs has both program and administration components. Likewise, the cost incurred at the state level has both administrative and program components. Appendix A categorizes FY 97 through FY 01 STEP costs into administration and program categories. STEP expenditures at the state level were mainly incurred by AHRIC, DLWD's Research and Analysis (R&A) section, UI tax revenue collection section, and DLWD's AWIO office. The costs associated with accounting, determining policy, and awarding/monitoring grants were categorized in Appendix A as administrative. The costs associated with analysis performed by R&A were categorized as program because data provided by R&A is required by statute to implement STEP.

Fiscal Year	Administrative	Program
1997	23%	77%
1998	21%	79%
1999	24%	76%
2000	23%	77%
2001	21%	79%

Appendix A also reports administrative costs and program costs and as a percentage of total costs. The table at left summarizes these percentages. Administrative costs as a percentage of total STEP costs remain fairly stable, ranging from 21 percent to 24 percent.

Vendor/Grantee activities funded with STEP

Alaska Statute 23.15.640 requires entities receiving STEP funds to provide one or more program elements. The program elements include industry-specific training, on-the-job

⁶ DLWD's STEP regulations set a maximum training cost of \$10,000 per participant. To comply with this regulation, it would be necessary for DLWD to compile individual participant cost information. However, due to database constraints, this information is not available and DLWD is not capable of monitoring compliance with the regulation.

training, institutional or classroom job-linked training, support services (including allowances), relocation assistance and provision of necessary tools, work-related clothing, safety gear, and other items necessary to obtain or retain employment. DLWD created an additional element, employment assistance, which has been reported as a separate category within each SDA. A brief description of each program element and related activities is provided below. The percentage of costs by program element is based on the combined expenditures for the FY 97 – FY 01 STEP authorizations, for all vendor/grantees (see Appendices B through E of this report). It should be noted that any expenditures incurred directly by administrative agencies within each SDA are not included in this vendor/grantee expenditure analysis. Exhibit 8 (page 25) pictorially summarizes STEP vendor/grantee expenditures by program element.

Employment assistance – is defined by DLWD as worker assessment and counseling services, instruction in resume preparation, job search, work ethic, interviewing and other job readiness skills. Entities providing employment assistance may also refer clients to support services, training and education providers, and jobs or job placement services. In practice, the regulation has been interpreted to mean that grant recipients may provide employment assistance as an alternative to one of the six program elements listed in statute. Employment assistance was used primarily to pay wages of state and municipal employment coordinators and costs of job workshops. These costs were 13% of STEP vendor/grantee expenditures.

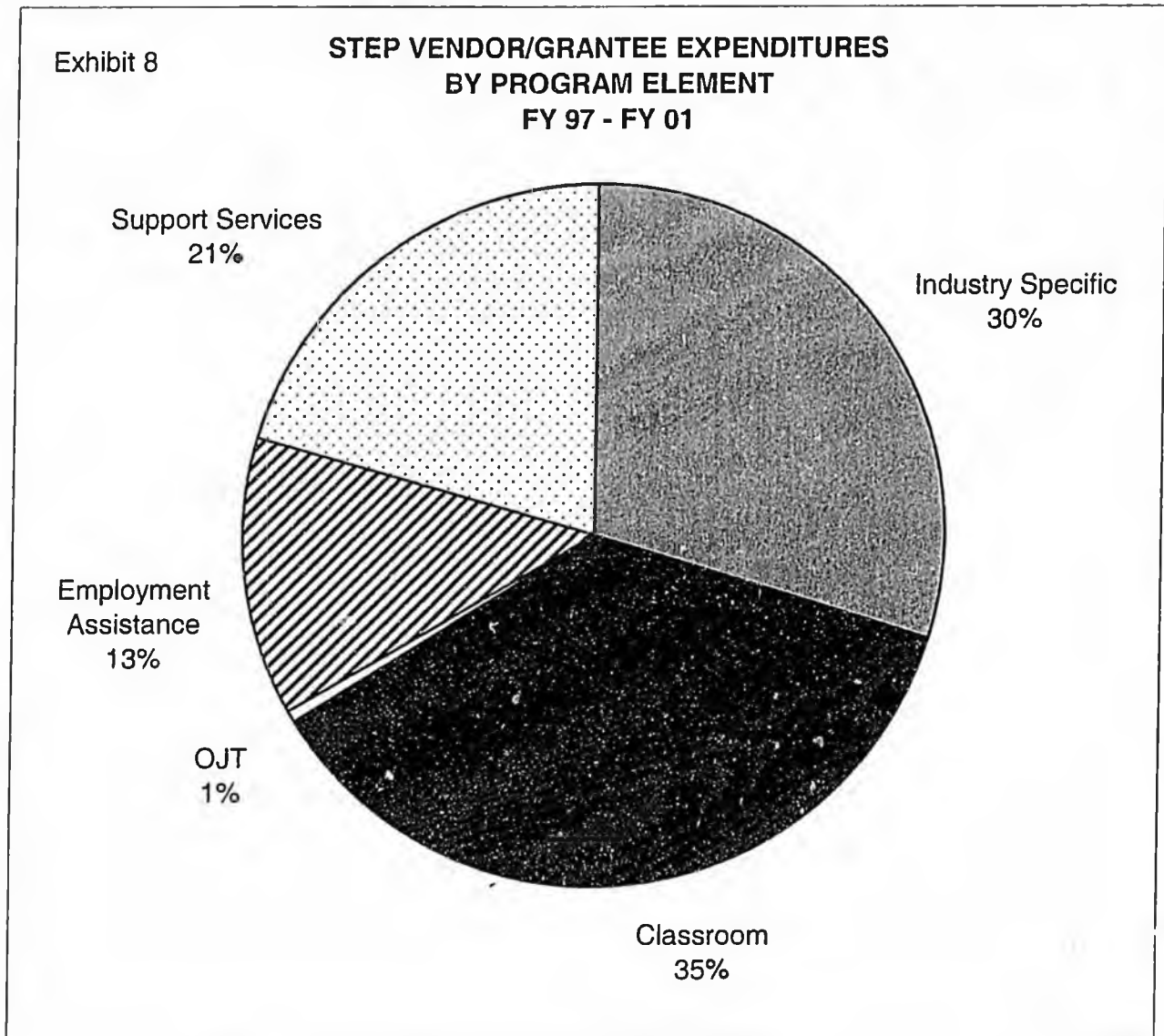
Industry-specific training – is tailored to the needs of specific occupations, industries, employers or groups of employers. This type of training often results in the participant obtaining industry-recognized certifications and acceptance into union apprenticeship programs. Thirty percent of STEP vendor/grantee expenditures provided industry-specific training. Entities providing this type of training consisted of unions, health-care organizations, computing technology and vocational technical education centers.

On-the-job training (OJT) – provides reimbursement to employers or pays wages directly to a participant who is receiving on-the-job training. This category represents only 1 % of STEP vendor/grantee expenditures. Small employers, Native organizations, and individual participants were the major recipients of OJT.

Institutional or classroom job-linked training – is the most popular program element. Thirty-five percent of STEP funding provided institutional or classroom job-linked training. The majority of this type of training was provided by public and private training institutions. Classroom occupational training consisted of nursing, welding, flight and travel school, hair styling, massage therapy, jewelry arts, taxidermy, computing technology, administrative services, and the wide range of occupational training offered by the University of Alaska system.

Support services – is an element that has been combined with two other program elements due to availability of funding. Support services consist of support services, relocation assistance, and the provision of tools, work-related clothing, safety gear, or other items necessary to obtain or retain employment. Current statutes require that support services be provided only to individuals who participate in industry-specific, on-the-job, or institutional

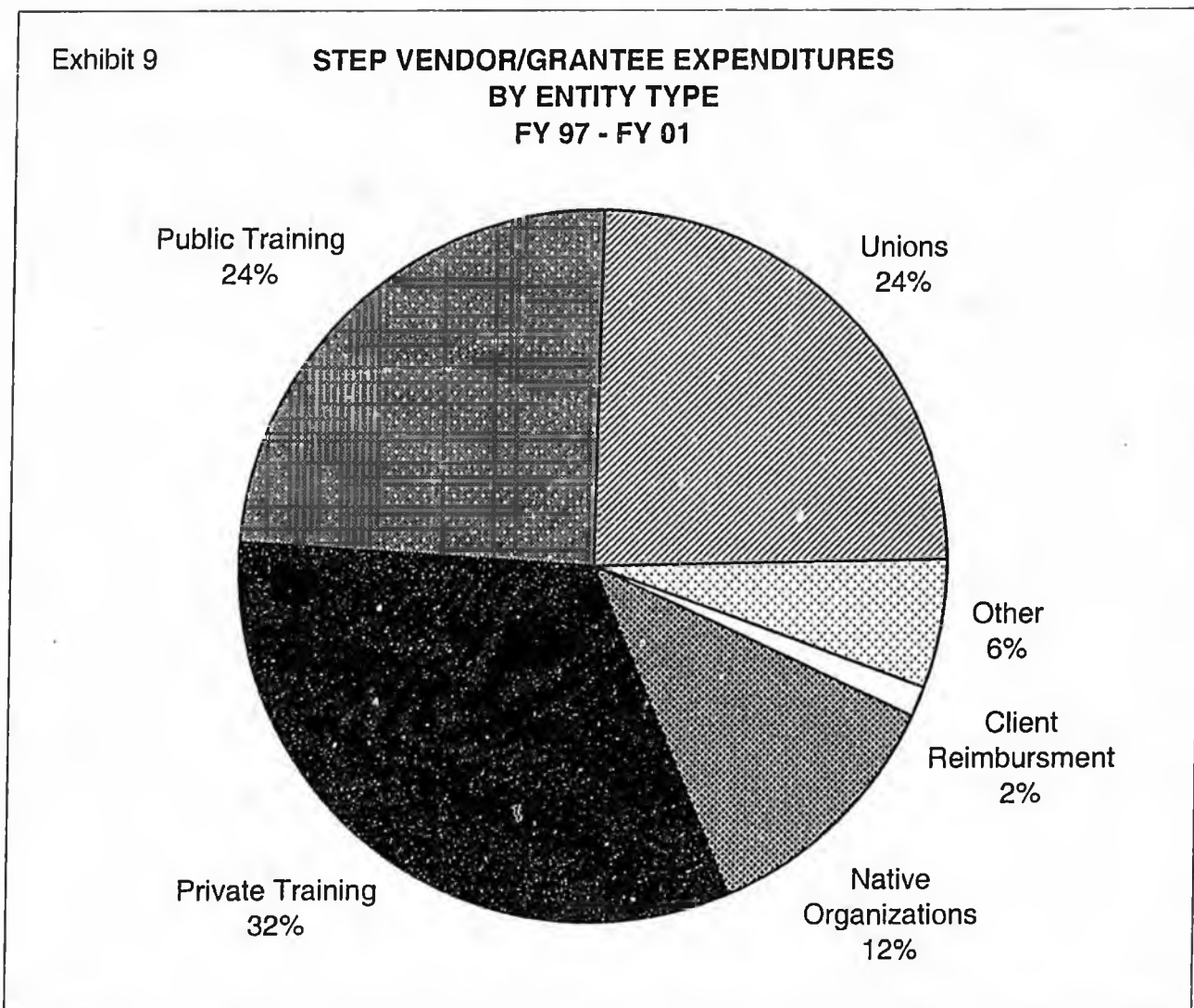
or classroom job-linked training. Prior to FY01 a STEP participant could receive support services without participating in one of the training elements. Vendors receiving payment for support services are local clothing and hardware retailers, hotels, travel agencies, and health-care providers. Reimbursement was also made to training entities for any support services they may have provided in conjunction with training programs. Support services represent 21 % of STEP vendor/grantee costs.



Types of vendors/grantees that received STEP funding

For our period of review, we were able to identify six distinct vendor/grantee groups: private training institutions, unions, public training institutions, Native organizations, client reimbursements and other. In most cases, participants were allowed to choose the vendor/grantee to provide the training services for their occupational education requirements. The percentage of costs by type of entity is based on the combined expenditures for the FY 97 – FY 01 STEP authorizations, for all vendor/grantees. It should be noted that any expenditures incurred directly by SDA administrative agencies or by the State’s AWIO office are not included in this vendor/grantee analysis. Appendices B through E provide detailed

reports containing vendor and grantee names, number of clients served, program elements provided and amount of disbursements to each vendor/grantee. Exhibit 9 summarizes the STEP vendor/grantee expenditures by entity type.



Private training institutions – are privately owned business offering professional training services as a part of their business activities. This is the largest vendor/grantee group incurring approximately 32% of STEP vendor/grantee expenditures. MILA, Inc. of Anchorage was the largest private training recipient of STEP funding. MILA provides administration and computer training and employment assistance services.

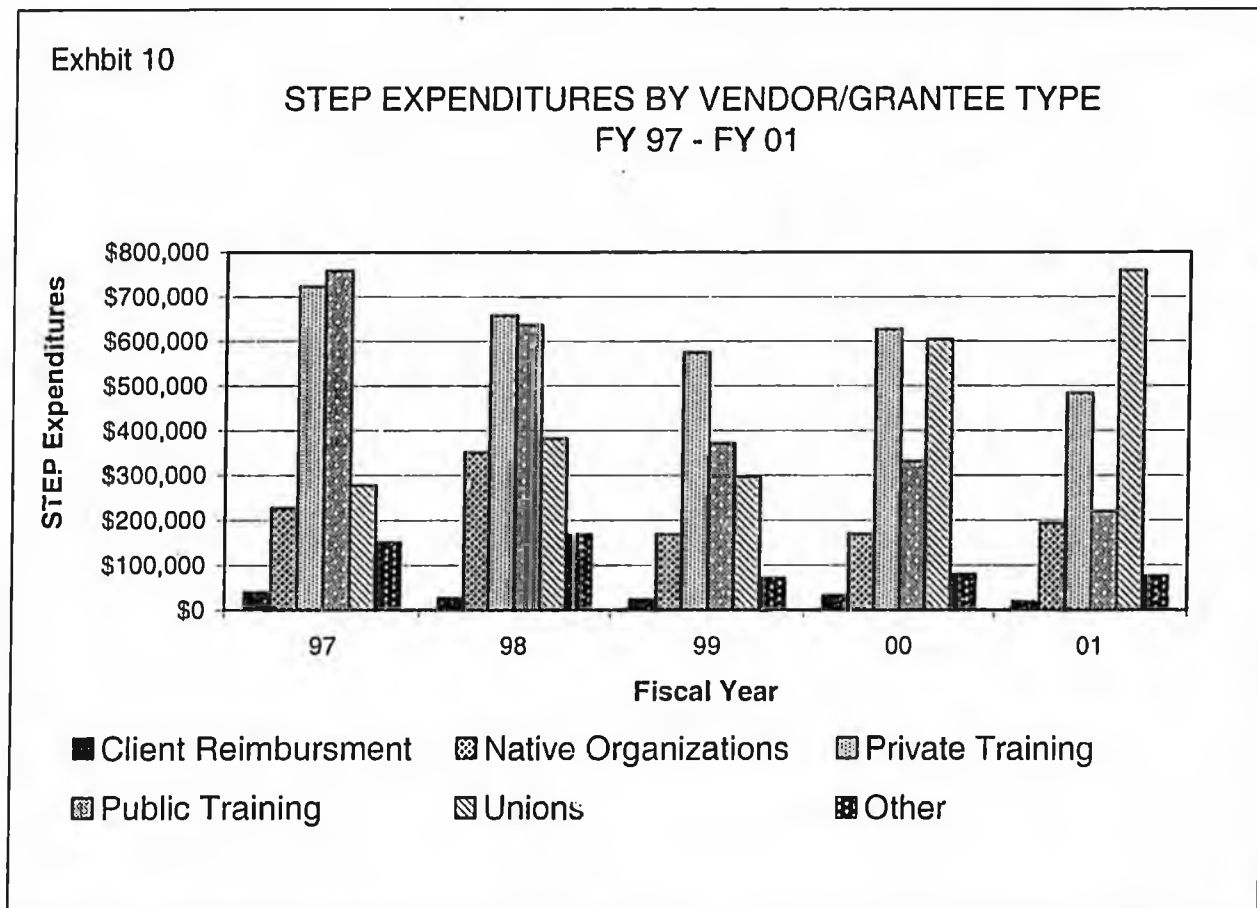
Public training institutions – incurred 24% of STEP vendor/grantee expenditures. Exhibit 10 (page 27) shows that public training institutions share of vendor/grantee expenditures has been steadily decreasing. The University of Alaska is the largest recipient of STEP funding in the public training institution category. As demonstrated in Exhibit 10, STEP expenditures by public training institutions have steadily decreased during FY 97 through FY 01.

Unions – incurred 24% of STEP vendor/grantee expenditures. Exhibit 10 shows a steady increase in STEP participants in union training programs. Alaska Laborers Training Trust Fund received the largest share of funds within the union vendor/grantees group. Alaska Laborers provides industry-specific training and assists participants' entry into union apprenticeship programs. As noted in Exhibit 10, STEP expenditures by unions have steadily increased from FY 97 through FY 01.

Native organizations – are the fourth largest group incurring 12% of STEP vendor/grantee expenditures. This category consists of Native owned and operated organizations which include subsidiaries of the Native corporations; non-profit health services providers and local tribal groups.

Other – represents retailers and private employers. The group incurred 6% of STEP vendor/grantee expenditures. Retailers provided tools, work gear, travel and lodging to STEP participants. Private employers are enterprises whose employees required additional job training. Participants were able to improve their job skills to keep up with the demands of new technology and emerging industries.

Client reimbursements – are payments provided to individuals who bore the initial cost of STEP training and support services from personal resources, and were then reimbursed by the program.



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FINDINGS AND RECOMMENDATIONS

Recommendation No. 1

The program coordinator for the Alaska Workforce Investment Office should take steps to ensure that Alaska residents and employers are aware of the services available through STEP.

AS 23.15.635 gives many Alaskans the right to receive training assistance through STEP. However, there is a large gap between the number of people eligible for STEP services and number of people aware of the program. This gap has been created by the inclusive nature of STEP eligibility requirements and DLWD's lack of outreach about the program. In our view, there are ample opportunities to expand the STEP client base by simply informing people about the program.

Since STEP was created, it has mainly served the unemployed. However, there are no procedures in place to ensure all unemployed individuals are informed of the availability of STEP services. STEP assistance to dislocated workers mainly focused on large employers. There are no procedures in place to inform small and medium sized employers of the availability of the program.

Very few individuals are aware that a portion of their UI contribution goes to help fund STEP. Consequently, people don't know that STEP will pay for training if they expect to be laid off within six months. Additionally, the program is failing to successfully reach residents not eligible for UI benefits because of limited job opportunities or seasonal, temporary, part-time, or marginal employment. Further, the program is not reaching the "underemployed" who need employment assistance and training to obtain full employment.

DLWD is developing a division-wide marketing plan to increase consumer awareness of the services it provides through its employment services, unemployment insurance, job training and STEP programs. We recommend that the AWIO's program coordinator and AHRIC's executive director continue their efforts, taking steps to ensure that outreach and education efforts are adequate to inform and educate all eligible Alaskan residents and employers of the availability of STEP services.

Recommendation No. 2

AWIO's program coordinator should improve monitoring of its STEP grantees.

Our review found several areas of noncompliance by STEP grantees that could have been detected through monitoring procedures. Areas of noncompliance include Alaska Commission on Post Secondary Education (ACPE) certification, unallowable costs, use of STEP funds before utilization of federal funds, and dual enrollment of STEP clients.

AS 23.15.580(d)(2) states that training programs funded by STEP must be operated by an institution that holds a valid authorization to operate issued under AS 14.48 by ACPE, if the program is a postsecondary education program operated by a postsecondary education

institution subject to regulation under AS 147.48. According to ACPE, it is illegal to operate a postsecondary educational institution, advertise, or deliver postsecondary education, or recruit postsecondary students without either authorization or exemption from ACPE. When reviewing BOS grantees, we found five grantees in FY 00 and three grantees in FY 01 did not have the required ACPE certification.

In order to be an allowable non-administrative cost under STEP it must be for one of six program elements. We found that inappropriate allocation methods were used by MOA when charging costs to STEP for its Human Resource Corporation grantee. MOA charged costs to STEP based on budgetary estimates rather than actual costs incurred by its grantee. Our preliminary review found that STEP was overcharged by approximately \$25,000 in FY 01 and WIA was undercharged by the same amount. Initial review of FY 00 grant expenditure support indicates that STEP was also overcharged in FY 00.

Our review also found that STEP was used to pay \$50 placement incentive fees for seven of the seventy clients tested (ten percent) in the MOA SDA. These incentives were paid to clients when they entered into unsubsidized employment and again once they had been employed for 90 days. According to MOA staff, the fees were considered an allowable expense because they were allowable under the JTPA program. In our view, these expenses fail to fall into any of the six STEP program elements and are unallowable under STEP.

AS 23.15.651 (2)(b) mandates that STEP funding not displace money available through federal, public or private training programs. As discussed under Recommendation No. 7, MOA and BOS were not consistently seeking federal funding prior to enrolling clients in STEP. This practice violates statute and could result in the state not fully utilizing federal funds.

We also found that it had been standard practice in Juneau's BOS office to dual-enroll clients into both JTPA and STEP. If JTPA funding became unavailable during the year, dual-enrollment made the process of using STEP funding much quicker and easier. Consequently, we found that four of the ten (or 40 percent) FY 00 STEP clients we tested had no charges to STEP yet were included in the STEP database. Because these individuals were enrolled in STEP according to the database, they would have been included in the annual evaluation of STEP. The practice of dual-enrolling clients was stopped in FY 01 and was limited to the Juneau office.

The AWIO has a policy to annually conduct both financial and program monitoring reviews of its SDAs. However, due to a lack of resources in FY 00 and FY 01, only the programmatic review was conducted. All of the areas of non-compliance noted above could have been detected through on-site monitoring of SDAs. We recommend AWIO's program coordinator improve monitoring of its STEP grantees.

Recommendation No. 3

DLWD's commissioner should pursue legislation so that unexpended, unobligated STEP funds lapse into the UI trust fund.

From FY 91 through FY 98, unexpended, unobligated STEP funds were routinely transferred to the UI trust fund. Exhibit 4 on page 10 summarizes the amounts transferred back to the UI trust fund. Beginning in FY 99, unexpended, unobligated funds remain in the STEP account and are included in the next STEP authorization.

Because DLWD can not demonstrate conclusively that savings to the UI trust fund cover the cost of program, we believe that any unexpended, unobligated STEP funds should be transferred to the UI trust fund. Transferring the excess funds back to the UI trust fund would help mitigate the impact of diverting employee UI contributions from the UI trust fund. As discussed under the Report Conclusions section of the report, if diversions of employee contributions are not replaced by savings to the UI trust fund, employer UI tax rates increase.

It would be prudent to minimize the cost of STEP to employers by making the transfer requirement part of STEP statutes. We recommend DLWD's commissioner pursue legislation that requires the unexpended, unobligated STEP authorization lapse into the UI trust fund.

Recommendation No. 4

We recommend DLWD's director of administrative services, director of employment security and AWIO's program coordinator actively monitor STEP expenditures to ensure administrative costs do not exceed 15 percent of total STEP expenditures.

Currently, statutes provide two separate methods of calculating allowable STEP administrative expenditures. The first, AS 23.15.645(e), became effective in FY 97. It defined maximum administrative costs as 20 percent of STEP proceeds (revenue). The second, AS 23.15.580(b)(8), became effective in FY 99. It defined maximum administrative expenses as 15 percent of STEP expenditures. See page 17.

When AS 23.15.645 (e) became effective in FY 97, DLWD began multiplying its STEP authorization by 20 percent when developing its budget for STEP administrative costs to ensure the department complied with the statute. Our review found that DLWD's administrative expenditures were 14 percent of STEP proceeds in FY 97 and 13 percent in FY 98, well within the 20 percent maximum defined in statute.

However, when AS 23.15.580(b)(8) became effective in FY 99, DLWD simply reduced the percentage applied to their STEP authorization from 20 percent to 15 percent. It failed to recognize that compliance required administrative costs be 15 percent of STEP expenditures rather than STEP proceeds. Administrative costs were 24 percent of STEP expenditures in FY 99, 23 percent in FY 00 and 21 percent in FY 01. These percentages far exceed the 15 percent statutory maximum.

We recommend that DLWD's director of administrative services, director of employment security and AWIO's program coordinator actively monitor STEP expenditures to ensure administrative costs do not exceed 15 percent of total STEP expenditures.

Recommendation No. 5

We recommend the director of administrative services improve procedures so that UI accounting costs are charged to STEP and ATVE in an equitable and supported manner.

Part of the cost of administering the STEP program is the cost of collecting and distributing a portion of employee tax contributions. Based on a federal review of DLWD's UI accounting section in 1994, 19 percent of the cost of collecting and distributing employee tax contributions was allocated to STEP. When ATVE became effective in FY 01, the fiscal note specified that the 19 percent (estimated at \$300,000) of UI accounting costs be split equally between the STEP and ATVE programs. It also stated that the ATVE costs were to be allocated to the University of Alaska (UofA), AVTEC, and Kotzebue in the amounts of \$78,000, \$48,000 and \$24,000, respectively. In FY 01, 19 percent of UI accounting costs totaled \$220,000. Exhibit 11 summarizes how UI accounting costs were charged to the entities in FY 01.

Exhibit 11

	Percent to be charged per fiscal note	Actual Expenditures charged entities	\$220,000 allocated by proper %	Difference <overcharge> undercharge
STEP Program	50%	\$98,000	\$110,000	\$12,000
UofA – ATVE Program	26%	78,000	57,000	<21,000>
Kotzebue – ATVE Program	8%	24,000	18,000	<6,000>
AVTEC – ATVE Program	16%	48,000	35,000	<13,000>
Total		\$248,000	\$220,000	<\$28,000>

DLWD did have a procedure in place to ensure that expenditures were allocated to the entities in accordance with the fiscal note. However, when reviewing expenditures we detected that DLWD staff did not follow their procedures. Consequently, UI costs were not equitably allocated to STEP and ATVE. Further, we found that STEP was undercharged by \$12,000 and ATVE was overcharged by \$40,000.

We recommend that director of administrative services improve procedures so that UI accounting costs are charged to STEP and ATVE in an equitable and supported manner.

Recommendation No. 6

AWIO's program coordinator should take steps to ensure STEP program data is collected and reported in a manner that demonstrates compliance with statutes.

Our ability to evaluate whether the STEP program was being administered in compliance with statutes and regulations was hindered by a lack of comparable, readily available program data. Problems with the STEP database and inconsistent reporting requirements contributed to a general lack of comparable information.

As discussed in the Background Information section of this report, the method of delivering STEP services mirrored the procedures already in place for JTPA. The database that was in place to collect and report JTPA data was utilized for STEP data collection. By the late 1990s, the database needed to be replaced. A new system was purchased in FY 99 but never became operational. Another new data system was purchased in FY 00 to be used for the new WIA program and STEP. Implementation was delayed awaiting the federal WIA reporting guidelines. Reporting guidelines were not released until March 2001.

During the same period, AWIO waived the requirement that SDA administrative agencies report STEP financial information by program element. No vendor/grantee detail financial reports were required for FY 00 and FY 01.⁷ Previously, SDA administrative agencies had been required to report STEP expenditure information quarterly, including expenditures by account and program element including detail vendor/grantee information. We reviewed the FY 97 through FY 99 reports and found that SDAs were not reporting expenditures in a consistent format. Some SDAs reported tools, safety gear and other necessities separately while others grouped the costs with other types of support services. Further, we found that some SDAs categorized tools and safety gear as industry-specific training on financial reports rather than reporting the costs separately.

Without program data, AWIO's ability to monitor the STEP program is severely limited. Waiving the reporting requirement, without introducing compensating internal controls, increases the risk that STEP funds are being used inappropriately. Further, inconsistent reporting formats limit the usefulness of the financial reports.

We recommend AWIO's program coordinator take steps to ensure STEP program data is collected and reported in a manner that demonstrates compliance with statutes. At a minimum, this includes ensuring that STEP reporting formats include the six program elements defined in statute.

⁷ During the course of the audit, AWIO was able to request and obtain the FY 00 and FY 01 detail financial reports from their SDA administrative agencies.

Recommendation No. 7

We recommend AWIO's program director and AHRIC's executive director work together to ensure STEP does not displace other federal, private, or public training funds.

As part of our review of client files, we found several indications that SDAs were not consistently requiring federal JTPA/WIA programs be pursued before STEP funds were authorized. AS 23.15.651 requires that STEP not replace or compete in any way with a federally approved, jointly administered apprenticeship program or any other existing training programs. It further states that AHRIC may not award a grant if the grant would displace money available through existing public or private training programs.

We tested 50 client files at MOA and found that in eleven of the 50 cases (22 percent), MOA employment coordinators used STEP funds when clients were potentially eligible for JTPA/WIA. In two instances, employment coordinators noticed that a client was receiving UI and automatically enrolled the client in STEP without considering eligibility for other programs. In one instance, an employment coordinator enrolled a client in STEP because it is quicker than going through WIA. One case was simple oversight. Seven of the eleven were automatically enrolled in STEP rather than WIA because MOA mistakenly believed industry-specific training was disallowed under WIA.

We tested twenty client files at the Human Resources Corporation, MOA's contractor that services the Mat-Su area, and found three clients (15 percent) should have been eligible for JTPA. HRC staff stated up until July 2000, they were unaware of the requirement to use other funding first. Our review of client files at BOS found no such errors.

We also found that both SDAs funded grants for industry-specific training with STEP even though WIA funding had not been exhausted. Both MOA and BOS carried forward federal WIA funding from FY 01 into FY 02 (MOA carried forward \$676,000 of adult and dislocated worker funding and BOS carried forward \$2 million in adult and dislocated worker funding). Using STEP funds before exhausting federal funds violates AS 23.15.651.

We recommend AWIO's program coordinator and AHRIC's executive director work together to ensure STEP does not displace other federal, private, or public training funds.

APPENDICES

Appendices A through E report expenditures for the state training and employment program (STEP) in a variety of ways. STEP expenditure information is presented to demonstrate the cost of administering the STEP program versus the cost of providing training. Additionally, detail vendor/grantee expenditure information is reported to help identify if favoritism is occurring. A description of each appendix is provided below.

Appendix A – Summary STEP expenditures

This schedule summarizes expenditures for the FYs 97 through 01 STEP appropriations. Costs are reported by the entity that incurred the expenditure. Expenditures are further classified into two cost categories, administration and program. Expenditures for each service delivery are split between those incurred directly by the SDA's administrative agency and those incurred by vendors or grantees. Appendices B through E provide additional detail for the vendor/grantee costs.

Appendix B – Summary vendor/grantee expenditures by entity type

This appendix includes five summary schedules, one for each of the FYs 97 through 01. Detail expenditures that support this schedule are found in Appendix C. Entity type indicators are discussed in detail on the following page.

Appendix C – Detail vendor/grantee expenditures by entity type

This appendix includes five detail expenditure schedules, one for each of the FYs 97 through 01. Expenditures are reported by STEP program element. A description of each of the program element indicators is found on the following page.

Appendix D – Detail vendor/grantee expenditures by service delivery area (SDA)

This appendix includes 13 detail expenditure schedules, one for each SDA, for each of the FYs 97 through 01. For FYs 97 through 99, the state was broken into three service areas for the purposes of delivering job training; Fairbanks area, Anchorage area, and the statewide area. Beginning in FY 00, SDAs were reorganized into two areas; Anchorage/Mat-Su area and Balance of State area.

Appendix E – Detail vendor/grantee expenditures by amount

This appendix includes five detail expenditure schedules, one for each of the FYs 97 through 01. Each schedule reports vendor/grantee expenditures by amount in descending order.

Entity Type Indicators

Private training institutions: Privately owned businesses offering professional training services as part of their business activities.

Unions: Organizations of wage earners formed for the purpose of serving the members' interests with respect to wages and working conditions. Many labor unions have training/apprenticeship programs.

Public training institutions: Mainly composed of state agencies and the University of Alaska.

Native organizations: Native owned and operated organizations which include subsidiaries of Native corporations; non-profit health services providers and local tribal groups.

Other: Includes retailers and private employers.

Client reimbursements: Payments provided to individuals who bore the initial cost of STEP training and support services from personal resources, and were then reimbursed by the program.

Program Element Cost Indicators

Employment Assistance: Worker assessment and counseling services, instruction in resume preparation, job search, work ethics, interviewing and other job readiness skills.

Industry-specific training: Training tailored to the needs of specific occupations, industries, employers or groups of employers.

On-the-job training: Provides reimbursement to employers or pays wages directly to a participant who is receiving on-the-job training.

Institutional or classroom job-linked training: Mostly offered by public or private training institutions and encompassed both occupational and general job skills.

Support services: Support services, relocation assistance, and the provision of tools, work-related clothing, safety gear, or other items necessary to obtain or retain employment.

APPENDIX A – SCHEDULE 1
 FY 97 STEP EXPENDITURES
 (Unaudited)

<u>ENTITY TYPES</u>	<u>ADMINISTRATION</u>	<u>PROGRAM</u>	<u>TOTAL</u>
MOA Direct Costs	\$ 110,502	\$ 208,571	\$ 319,073
MOA Vendors/Grants	22,149	837,073	859,222
Subtotal	<u>132,651</u>	<u>1,045,644</u>	<u>1,178,295</u>
Fairbanks Direct Costs	47,007	95,887	142,894
Fairbanks Vendors/Grants	47,007	188,803	188,803
Subtotal	<u>47,007</u>	<u>284,690</u>	<u>331,697</u>
Statewide Direct Costs	139,171	26,791	165,962
Statewide Vendors/Grants	8,870	1,118,909	1,127,779
Subtotal	<u>148,041</u>	<u>1,145,700</u>	<u>1,293,741</u>
AHRIC	107,069		107,069
Research & Analysis		175,000	175,000
Revenue Collection	264,152		264,152
JTPO/AWIO	94,398		94,398
Subtotal	<u>465,619</u>	<u>175,000</u>	<u>640,619</u>
TOTAL FY 97	<u>\$ 793,318</u>	<u>\$2,651,034</u>	<u>\$3,444,352</u>
Percent of Total	23%	77%	

APPENDIX A – SCHEDULE 2
 FY 98 STEP EXPENDITURES
 (Unaudited)

<u>ENTITY TYPES</u>	<u>ADMINISTRATION</u>	<u>PROGRAM</u>	<u>TOTAL</u>
MOA Direct Costs	\$ 105,459	\$ 320,912	426,371
MOA Vendors/Grants	22,805	724,412	747,217
Subtotal	<u>128,264</u>	<u>1,045,324</u>	<u>1,173,588</u>
Fairbanks Direct Costs	42,379	75,349	117,728
Fairbanks Vendors/Grants		356,119	356,119
Subtotal	<u>42,379</u>	<u>431,468</u>	<u>473,847</u>
Statewide Direct Costs	154,290	17,179	171,469
Statewide Vendors/Grants		1,115,973	1,115,973
Subtotal	<u>154,290</u>	<u>1,133,152</u>	<u>1,287,442</u>
AHRIC	105,901		105,901
Research & Analysis		228,692	228,692
Revenue Collection	260,278		260,278
JTPO/AWIO	77,496		77,496
Ketchikan Career Training Center	8,445	48,443	56,888
Subtotal	<u>452,120</u>	<u>277,135</u>	<u>729,255</u>
TOTAL FY 98	<u>\$ 777,053</u>	<u>\$2,887,079</u>	<u>\$3,664,132</u>
Percent of Total	21%	79%	

APPENDIX A – SCHEDULE 3
 FY 99 STEP EXPENDITURES
 (Unaudited)

<u>ENTITY TYPES</u>	<u>ADMINISTRATION</u>	<u>PROGRAM</u>	<u>TOTAL</u>
MOA Direct Costs	\$ 159,220	\$ 317,425	\$ 476,645
MOA Vendors/Grants		603,045	603,045
Subtotal	<u>159,220</u>	<u>920,470</u>	<u>1,079,690</u>
Fairbanks Direct Costs	12,863	20,153	33,016
Fairbanks Vendors/Grants		54,583	54,583
Subtotal	<u>12,863</u>	<u>74,736</u>	<u>87,599</u>
BOS - Fairbanks Direct Costs	25,684	131,304	156,988
BOS - Fairbanks Vendors/Grants		37,876	37,876
Subtotal	<u>25,684</u>	<u>169,180</u>	<u>194,864</u>
BOS - Statewide Direct Costs	126,634	239,096	365,730
BOS - Statewide Vendors/Grants		810,111	810,111
Subtotal	<u>126,634</u>	<u>1,049,207</u>	<u>1,175,841</u>
AHRIC	106,659		106,659
Research & Analysis		283,798	283,798
Revenue Collection	294,666		294,666
JTPO/AWIO	85,872		85,872
Ketchikan Career Training Center	10,192	46,052	56,244
Subtotal	<u>497,389</u>	<u>329,850</u>	<u>827,239</u>
TOTAL FY 99	<u>\$ 821,790</u>	<u>\$2,543,443</u>	<u>\$3,365,233</u>
Percent of Total	24%	76%	

APPENDIX A – SCHEDULE 4
 FY 00 STEP EXPENDITURES
 (Unaudited)

<u>ENTITY TYPES</u>	<u>ADMINISTRATION</u>	<u>PROGRAM</u>	<u>TOTAL</u>
MOA Direct Costs	\$ 126,724	\$ 152,973	\$ 279,697
MOA Vendors/Grants	14,838	587,108	601,946
Subtotal	<u>141,562</u>	<u>740,081</u>	<u>881,643</u>
BOS - Statewide Direct Costs	191,454	267,255	458,709
BOS - Statewide Vendors/Grants		1,241,477	1,241,477
Subtotal	<u>191,454</u>	<u>1,508,732</u>	<u>1,700,186</u>
AHRIC	106,794		106,794
Research & Analysis		314,807	314,807
Revenue Collection	249,901		249,901
Fish Disaster Special Grant	6,318	43,682	50,000
JTPO/AWIO	69,524		69,524
Subtotal	<u>432,537</u>	<u>358,489</u>	<u>791,026</u>
TOTAL FY 00	<u><u>\$ 765,553</u></u>	<u><u>\$2,607,302</u></u>	<u><u>\$3,372,855</u></u>
Percent of Total	23%	77%	

APPENDIX A – SCHEDULE 5
 FY 01 STEP EXPENDITURES
 (Unaudited)

<u>ENTITY TYPES</u>	<u>ADMINISTRATION</u>	<u>PROGRAM</u>	<u>TOTAL</u>
MOA Direct Costs	\$ 150,981	\$ 230,158	\$ 381,139
MOA Vendors/Grants	13,544	598,264	611,808
Subtotal	<u>164,525</u>	<u>828,422</u>	<u>992,947</u>
Statewide Direct Costs	263,051	441,712	704,763
Statewide Vendors/Grants		1,135,131	1,135,131
Subtotal	<u>263,051</u>	<u>1,576,843</u>	<u>1,839,894</u>
AHRIC	68,275		68,275
Research & Analysis		325,947	325,947
Revenue Collection	97,831		97,831
JTPO/AWIO	132,229		132,229
Subtotal	<u>298,335</u>	<u>325,947</u>	<u>624,282</u>
TOTAL FY 01	<u>\$ 725,911</u>	<u>\$2,731,212</u>	<u>\$3,457,123</u>
Percent of Total	21%	79%	

APPENDIX B - SCHEDULE 1
 FY 97 STEP Vendor/Grantee
 Summary Report by Type
 (Unaudited)

<u>Vendor/Grantee Type</u>	<u>Clients Served</u>	<u>Total Grants</u>
Private Training Institutions	698	\$ 722,802
Unions	269	276,967
Public Training Institutions	445	758,505
Native Organizations	137	226,974
Other	213	150,543
Client Reimbursements	68	40,013
Total	<u>1,830</u>	<u>\$ 2,175,804</u>

APPENDIX B - SCHEDULE 2
 FY 98 STEP Vendor/Grantee
 Summary Report by Type
 (Unaudited)

<u>Vendor/Grantee Type</u>	<u>Clients Served</u>	<u>Total Grants</u>
Private Training Institutions	651	\$ 656,667
Unions	265	381,151
Public Training Institutions	312	636,409
Native Organizations	129	350,291
Other	185	168,114
Client Reimbursements	55	26,677
Total	<u>1,597</u>	<u>\$ 2,219,309</u>

APPENDIX B - SCHEDULE 3
 FY 99 STEP Vendor/Grantee
 Summary Report by Type
 (Unaudited)

<u>Vendor/Grantee Type</u>	<u>Clients Served</u>	<u>Total Grants</u>
Private Training Institutions	409	\$ 574,271
Unions	286	297,329
Public Training Institutions	297	371,228
Native Organizations	210	167,869
Other	154	71,335
Client Reimbursement	26	23,583
Total	<u>1,382</u>	<u>\$ 1,505,615</u>

APPENDIX B - SCHEDULE 4
 FY 00 STEP Vendor/Grantee
 Summary Report by Type
 (Unaudited)

<u>Vendor/Grantee Type</u>	<u>Clients Served</u>	<u>Total Grants</u>
Private Training Institutions	304	\$ 625,683
Unions	377	603,938
Public Training Institutions	236	331,369
Native Organizations	130	169,157
Other	86	79,937
Client Reimbursements	33	33,339
Total	<u>1,166</u>	<u>\$ 1,843,423</u>

APPENDIX B - SCHEDULE 5
 FY 01 STEP Vendor/Grantee
 Summary Report by Type
 (Unaudited)

<u>Vendor/Grantee Type</u>	<u>Clients Served</u>	<u>Total Grants</u>
Private Training Institutions	272	\$ 482,738
Unions	716	758,684
Public Training Institutions	121	218,989
Native Organizations	115	192,266
Other	88	75,429
Client Reimbursements	48	18,833
Total	<u>1,360</u>	<u>\$ 1,746,939</u>

APPENDIX C - SCHEDULE 1
 FY 97 STEP Vendor/Grantee
 Detail Report by Type
 (Unaudited)

Vendor/Grantee Name	Type	Clients Served	Industry Specific	Classroom Training	OJT	Employment Assistance	Support Services	Total Grants
Adult Learning Programs Of Alaska	Private Training	6	\$ -	\$ 451	\$ -	\$ -	\$ -	\$ 451
Airman Flight School	Private Training	1	2,870	-	-	-	-	2,870
Alaska Air Academy	Private Training	1	-	258	-	-	-	258
Alaska Center For Children & Adults	Private Training	1	-	185	-	-	-	185
Alaska Computer Institute	Private Training	6	-	18,230	-	-	-	18,230
Alaska Technical Training	Private Training	4	-	19,612	-	-	-	19,612
American Traffic Safety	Private Training	1	75	-	-	-	-	75
American Welding	Private Training	1	1,330	-	-	-	-	1,330
Asbestos Removal Specialists Of Alaska	Private Training	1	600	-	-	-	-	600
Brigham Young	Private Training	1	-	832	-	-	-	832
CAE, Inc.	Private Training	1	-	3,780	-	-	-	3,780
Career Academy	Private Training	11	-	32,636	-	-	-	32,636
Career Comm	Private Training	12	-	-	-	-	159	159
Charter College	Private Training	39	-	37,366	-	-	-	37,366
Commercial Training	Private Training	1	-	2,595	-	-	-	2,595
Computer Express	Private Training	10	-	-	-	2,246	-	2,246
Computerland	Private Training	1	-	31	-	-	-	31
Data Bank Computer	Private Training	1	144	288	-	-	-	432
Elite Employment Services	Private Training	10	-	15,121	-	-	-	15,121
Embry Riddle Aeronautical	Private Training	1	-	2,479	-	-	-	2,479
Environmental Management, Inc.	Private Training	52	-	27,730	-	-	-	27,730
Fairnet, Inc.	Private Training	38	-	17,339	-	-	-	17,339
Floral Design Institute	Private Training	1	-	225	-	-	-	225
HDS, Inc.	Private Training	1	-	3,000	-	-	-	3,000
HMC, Inc.	Private Training	1	720	-	-	-	-	720
Hospice & Homecare	Private Training	16	9,460	-	-	-	464	9,924
Human Resources Center, Inc.	Private Training	157	-	-	-	114,142	-	114,142
ITT Technical Institute	Private Training	1	-	2,981	-	-	-	2,981
Linn-Benton Community College	Private Training	1	-	1,545	-	-	-	1,545
Literacy Council Of Alaska	Private Training	30	-	14,718	-	-	-	14,718
Metro Oasis Salon And School	Private Training	1	-	5,295	-	-	-	5,295
MILA, Inc.	Private Training	185	-	129,119	-	65,621	-	194,740
Network Business Systems	Private Training	5	-	5,459	-	-	-	5,459
New World Teachers	Private Training	1	-	2,000	-	-	-	2,000

APPENDIX C - SCHEDULE 1
 FY 97 STEP Vendor/Grantee
 Detail Report by Type
 (Unaudited)

Vendor/Grantee Name	Type	Clients Served	Industry Specific	Classroom Training	OJT	Employment Assistance	Support Services	Total Grants
OPAG, Inc.	Private Training	45	\$ 6,506	\$ 38,045	\$ -	\$ -	\$ 4,833	\$ 49,384
People Count	Private Training	25	-	42,679	-	-	-	42,679
Pima Community College	Private Training	1	-	5,800	-	-	-	5,800
Red Cross Of Amerlca	Private Training	3	-	90	-	-	-	90
Revere Academy Of Jewelry Arts	Private Training	1	1,638	-	-	-	-	1,638
Rolf Institute	Private Training	1	-	4,900	-	-	-	4,900
Safety Quality Environment	Private Training	1	-	450	-	-	-	450
School Of Integrated Shiatsu	Private Training	1	6,001	-	-	-	-	6,001
Southern Methodist University	Private Training	1	-	7,500	-	-	-	7,500
SST Travel Schools	Private Training	1	3,845	-	-	-	-	3,845
Testing Institute Of Alaska	Private Training	2	1,901	5,500	-	-	-	7,401
Travel School	Private Training	1	-	2,850	-	-	-	2,850
Trophy Tan & Taxidermy	Private Training	1	-	-	3,838	-	-	3,838
University Of Washington	Private Training	1	-	681	-	-	-	681
Valley Academy Of Nursing	Private Training	3	-	6,000	-	-	-	6,000
Wayland University	Private Training	2	-	3,248	-	-	-	3,248
West Coast Training, Inc.	Private Training	2	-	8,830	-	-	-	8,830
Yukon Delta Fisheries Development Association	Private Training	6	26,561	-	-	-	-	26,561
Total Private Training Institutions		698	61,651	469,848	3,838	182,009	5,456	722,802
Alaska Joint Electrical Apprenticeship	Union	74	6,101	-	-	-	71,623	77,724
Alaska Laborers Training Trust Fund	Union	111	95,752	-	-	-	11,577	107,329
Alaska Operating Engineers	Union	9	-	-	-	-	1,695	1,695
Alaska Roofers Joint Apprenticeship	Union	21	45,910	-	-	-	812	46,722
Carpenters	Union	21	17,672	-	-	-	-	17,672
Center For Employment Education	Union	5	-	8,237	-	-	-	8,237
International Longshore And Warehouse Union	Union	28	12,277	-	-	-	5,311	17,588
Total Unions		269	177,712	8,237	-	-	91,018	276,967
Alaska Vocational Technical Education Center	Public Training	22	41,621	27,257	-	-	27,974	96,852

APPENDIX C - SCHEDULE 1
 FY 97 STEP Vendor/Grantee
 Detail Report by Type
 (Unaudited)

Vendor/Grantee Name	Type	Clients Served	Industry Specific	Classroom Training	OJT	Employment Assistance	Support Services	Total Grants
City Of Wrangell	Public Training	2	\$ -	\$ -	\$ -	\$ 721	\$ 1,600	\$ 2,321
Copper Valley Education	Public Training	27	20,454	-	-	-	63,440	83,894
Dept. of Labor & Workforce Development	Public Training	29	4,551	89,000	-	-	308	93,859
New Frontier Vocational Technical Center	Public Training	1	-	1,975	-	-	-	1,975
Norton Sound Education	Public Training	20	20,180	-	-	-	14,076	34,256
Rural Assessment - Case Management	Public Training	162	-	-	-	90,125	-	90,125
Step Power Plant Rsa	Public Training	30	565	26,540	-	-	27,126	54,231
University Of Alaska	Public Training	13	-	12,355	-	-	4,050	16,405
University Of Alaska - Anchorage	Public Training	75	-	66,756	-	70,388	-	137,144
University Of Alaska - Anchorage/Matsu	Public Training	29	-	21,216	-	-	-	21,216
University Of Alaska - Chukchi	Public Training	1	-	159	-	-	-	159
University Of Alaska - Fairbanks	Public Training	22	-	63,012	-	-	14,307	77,319
University Of Alaska - Kenai	Public Training	1	-	1,129	-	-	-	1,129
University Of Alaska - Kuskokwim	Public Training	1	-	13,831	-	-	-	13,831
University Of Alaska Law Rsa	Public Training	10	33,789	-	-	-	-	33,789
Total Public Training Institution		445	121,160	323,230	-	161,234	152,881	758,505
Association Of Village Council Presidents	Native Entity	40	2,900	-	-	-	19,569	22,469
BBC Human Resource	Native Entity	30	10,268	-	-	93,416	-	103,684
Bristol Bay Native Association	Native Entity	10	22,105	-	-	-	4,995	27,100
Fairbanks Native Association	Native Entity	1	-	-	1,666	-	-	1,666
Gana A Yoo Ltd	Native Entity	4	-	5,389	-	-	949	6,338
Ilisagvik College	Native Entity	2	-	-	-	-	2,425	2,425
Ilisquik College	Native Entity	1	-	-	-	-	2,531	2,531
Kake Tribal Corp.	Native Entity	30	-	-	-	3,125	-	3,125
Maniilaq Association	Native Entity	1	-	-	-	-	280	280
Naabia Niign, Ltd.	Native Entity	2	-	-	1,691	-	-	1,691
Nulato Tribal Council	Native Entity	2	-	-	-	-	300	300
Southeast Regional Resource Center, Inc.	Native Entity	2	-	7,100	-	-	-	7,100
Yukon-Kuskokwim Health Corporation	Native Entity	12	28,336	-	-	-	19,929	48,265
Total Native Organizations		137	63,609	12,489	3,357	96,541	50,978	126,974
Action Auto Parts & Glass	Other	3	-	-	-	-	625	625
Action See	Other	1	-	-	1,740	-	-	1,740
Air Liquide America Corp.	Other	1	212	-	-	-	-	212

APPENDIX C - SCHEDULE 1
 FY 97 STEP Vendor/Grantee
 Detail Report by Type
 (Unaudited)

Vendor/Grantee Name	Type	Clients Served	Industry Specific	Classroom Training	OJT	Employment Assistance	Support Services	Total Grants
Alaska Budget Motel	Other	1	\$ -	\$ -	\$ -	\$ -	\$ 643	\$ 643
Alaska Health Project	Other	2	-	4,473	525	-	-	4,998
Alaska Industrial X-Ray	Other	1	200	-	-	-	-	200
Alaska Marine Highway System	Other	3	-	-	-	-	1,285	1,285
Alaska Textiles	Other	2	-	-	-	-	292	292
American Express	Other	8	-	-	-	-	9,805	9,805
Ansonia Hotel	Other	1	-	-	-	-	625	625
Araserve, Inc.	Other	1	-	-	-	-	100	100
Arc N' Sparc	Other	1	-	-	-	-	375	375
Aurora	Other	1	-	4,400	-	-	-	4,400
Bering Air	Other	1	-	-	-	-	105	105
Big Rays, Inc.	Other	2	-	-	-	-	366	366
Brown & Sons Auto Parts	Other	1	-	-	-	-	450	450
Builders Bargain	Other	1	-	-	743	-	-	743
C & B Of Juneau	Other	5	-	-	-	-	300	300
Cellular Connection	Other	1	-	-	1,312	-	-	1,312
Coastal Village Fisheries	Other	5	-	-	-	-	6,942	6,942
Code West	Other	1	\$ -	\$ 900	\$ -	\$ -	\$ -	\$ 900
Compass North	Other	1	-	840	-	-	-	840
Concorde Hotel	Other	1	-	-	-	-	392	392
Copier Care	Other	3	-	232	-	-	-	232
Cusack Development Co.	Other	1	-	-	-	-	577	577
Denali Industrial Supplies, Inc.	Other	1	-	156	-	-	-	156
Easy Travel	Other	2	-	-	-	-	554	554
Fairbanks North Star Borough	Other	5	-	-	-	-	1,231	1,231
Fat Freddie's	Other	2	-	-	-	-	178	178
Fred Meyer, Inc.	Other	1	-	-	-	-	70	70
GCI	Other	3	-	139	-	-	-	139
Goldpanners Chevron	Other	4	-	-	-	-	76	76
Hageland Aviation	Other	1	-	-	-	-	210	210
Haircuts Are Us	Other	1	-	-	-	-	13	13
Hartec Management	Other	1	-	595	-	-	-	595
Helmbrecht Dental	Other	1	-	-	-	-	228	228
Holland American Line	Other	2	-	-	-	-	725	725
Home First National	Other	1	-	-	2,750	-	-	2,750

APPENDIX C - SCHEDULE 1
 FY 97 STEP Vendor/Grantee
 Detail Report by Type
 (Unaudited)

Vendor/Grantee Name	Type	Clients Served	Industry Specific	Classroom Training	OJT	Employment Assistance	Support Services	Total Grants
Ikes Fuel	Other	1	\$ -	\$ -	\$ -	\$ -	\$ 181	\$ 181
Interior Graphics	Other	2	-	-	-	-	166	166
J & B North, Inc.	Other	1	-	-	-	-	850	850
J.C. Penney, Inc.	Other	1	-	-	-	-	70	70
Ketchikan General Hospital	Other	1	-	-	-	-	98	98
Kotchikan Travel	Other	2	-	-	-	-	581	581
Kinkos	Other	2	-	-	-	-	102	102
Klondike Inn	Other	1	-	-	-	-	108	108
K-Mart	Other	2	-	121	-	-	597	718
Lamonts	Other	7	198	-	-	-	733	931
Lewis Motors	Other	1	-	-	-	-	725	725
Light House Service	Other	1	-	-	-	-	202	202
Lynden Transport	Other	1	-	-	-	-	1,071	1,071
Manilaq Medical Center	Other	1	-	-	-	-	140	140
Michael & Carol Morrison	Other	1	-	-	-	-	450	450
Mikes Chevron	Other	6	78	-	-	-	1,681	1,759
Municipal Utility Services	Other	15	200	356	-	-	-	556
N.W. Arctic Borough	Other	6	-	11,718	-	-	6,090	17,808
National Bank Of Alaska	Other	1	-	-	-	-	2,700	2,700
Neighborhood Health	Other	3	41	-	-	-	123	164
Northern Keta Caviar	Other	2	1,275	-	-	-	-	1,275
Northland Books & Charts	Other	2	-	200	-	-	-	200
Nugget Alaska Outfitter	Other	2	-	-	-	-	246	246
Omni Computer	Other	1	-	-	1,015	-	-	1,015
Paulson, Eric DDS	Other	1	-	-	-	-	145	145
Peninsula Motel	Other	1	-	-	-	-	147	147
Rapid Tool & Supply	Other	1	-	-	-	-	785	785
Sears	Other	2	-	-	-	-	536	536
Seward Life Action Co.	Other	2	-	-	-	-	220	220
Ship Creek Hotel	Other	1	-	-	-	-	106	106
Soldotna Kiddie Kare	Other	1	-	-	-	-	200	200
Southeast Executavel	Other	4	-	-	-	-	1,556	1,556
Southern Alaska Forwarding	Other	1	-	-	-	-	1,025	1,025
Stylistix Team Salon	Other	1	-	500	-	-	-	500
Sundial Resorts, Inc.	Other	1	-	-	-	-	3,494	3,494

APPENDIX C - SCHEDULE 1
 FY 97 STEP Vendor/Grantee
 Detail Report by Type
 (Unaudited)

Vendor/Grantee Name	Type	Clients Served	Industry Specific	Classroom Training	OJT	Employment Assistance	Support Services	Total Grants
Super 8 Motel	Other	2	\$ -	\$ -	\$ -	\$ -	\$ 73	\$ 73
Taiga Sales Co.	Other	1	-	-	-	-	98	98
Taquan Travel	Other	1	-	-	-	-	347	347
Traveltime Inc.	Other	1	-	-	-	-	309	309
Tucson Electric Power	Other	1	-	-	-	-	185	185
U.S. Passport Services	Other	1	-	-	-	-	65	65
U.S. Postmaster	Other	35	-	-	-	-	120	120
Uniglobe Travel	Other	4	-	-	-	-	995	995
Vista Travel	Other	7	-	-	-	-	6,137	6,137
Wards Cove Packing	Other	7	26,808	-	-	-	29,192	56,000
Total Other		213	29,012	24,630	8,085	-	88,816	150,543
Individual Training	Client Reimbursement	68	-	11,963	5,411	-	22,639	40,013
Total Client Reimbursement		68	-	11,963	5,411	-	22,639	40,013
Total		1,830	\$ 453,144	\$ 850,397	\$ 20,691	\$ 439,784	\$ 411,788	\$ 2,175,804

APPENDIX C - SCHEDULE 2
 FY 98 STEP Vendor/Grantee
 Detail Report by Type
 (Unaudited)

Vendor/Grantee Name	Type	Clients Served	Industry Specific	Classroom Training	OJT	Employment Assistance	Support Services	Total Grants
Alaska Technical Center	Private Training	7	\$ -	\$ 30,552	\$ -	\$ -	\$ 2,072	\$ 32,624
Asbestos Removal Specialists Of Alaska	Private Training	1	600	-	-	-	-	600
Aurora North Emergency Services	Private Training	1	-	450	-	-	-	450
Biz Works Computer Training	Private Training	13	-	20,960	-	-	-	20,960
Boise State University	Private Training	1	-	1,294	-	-	-	1,294
Browns School Of Phlebotomy	Private Training	1	-	2,460	-	-	-	2,460
CAE, Inc.	Private Training	1	8,970	-	-	-	-	8,970
Career Academy	Private Training	4	-	21,664	-	-	-	21,664
Central Texas College	Private Training	1	-	560	-	-	-	560
Charter College	Private Training	2	-	7,786	-	-	-	7,786
Continuing Education Center	Private Training	1	-	2,387	-	-	-	2,387
Deaf Community	Private Training	1	1,701	-	-	-	75	1,776
Embry Riddle Aeronautical	Private Training	1	-	1,237	-	-	-	1,237
Environmental Management, Inc.	Private Training	25	22,688	9,758	-	-	-	32,446
Fairbanks Memorial Hospital	Private Training	2	1,660	-	-	-	-	1,660
Government Computer Sales, Inc.	Private Training	118	-	-	-	2,122	-	2,122
Graceland College	Private Training	1	895	-	-	-	-	895
Ground Zero Tech-Works	Private Training	1	-	4,000	-	-	-	4,000
Human Resource Center, Inc.	Private Training	227	-	-	-	114,614	-	114,614
Infotech Commercial Systems	Private Training	2	1,794	-	-	-	-	1,794
International Institute For Surface Transportation	Private Training	1	-	3,000	-	-	-	3,000
Lundberg Maryland Seamanship Schools Inc.	Private Training	2	835	-	-	-	625	1,460
Microage	Private Training	1	-	5,500	-	-	-	5,500
MILA, Inc.	Private Training	177	-	135,624	-	98,794	-	234,418
National Public Radio	Private Training	1	2,387	-	-	-	-	2,387
Network Business System	Private Training	1	-	5,500	-	-	-	5,500
New Concepts Beauty School	Private Training	1	-	-	-	50	-	50
Refrigeration Schools	Private Training	1	-	2,810	-	-	-	2,810
Regional Drug & Alcohol Counselor	Private Training	7	8,638	-	-	-	12,627	21,265
Renew U Design Academy	Private Training	1	-	7,240	-	-	-	7,240
Sheldon Jackson College	Private Training	1	-	2,672	-	-	-	2,672

APPENDIX C - SCHEDULE 2
 FY 98 STEP Vendor/Grantee
 Detail Report by Type
 (Unaudited)

Vendor/Grantee Name	Type	Clients Served	Industry Specific	Classroom Training	OJT	Employment Assistance	Support Services	Total Grants
South Peninsula Hospital	Private Training	1	\$ -	\$ 800	\$ -	\$ -	\$ -	\$ 800
S.E. Alaska Marine Services	Private Training	1	-	375	-	-	-	375
SST Travel Schools	Private Training	2	-	5,567	-	-	-	5,567
Testing Institute Of Alaska	Private Training	4	-	22,205	-	-	-	22,205
Trendsetters	Private Training	1	-	2,482	-	-	-	2,482
Valley Academy Of Nursing	Private Training	9	-	22,500	-	-	-	22,500
Wayland Baptist University	Private Training	2	-	1,651	-	-	-	1,651
Weber State University	Private Training	1	-	14,509	-	-	-	14,509
West Coast Training, Inc.	Private Training	2	-	13,800	-	-	-	13,800
Wilson & Wilson, CPA	Private Training	20	24,910	-	-	-	-	24,910
Wolfe Management	Private Training	1	-	1,267	-	-	-	1,267
Total to Private Training Institutions		651	75,078	350,610	-	215,580	15,399	656,667
Alaska Joint Electrical Apprenticeship	Union	40	-	-	-	-	70,824	70,824
Alaska Laborers Training Trust Fund	Union	139	59,116	22,300	-	-	9,514	90,930
Alaska Operating Engineers	Union	3	-	4,950	-	-	-	4,950
Alaska Roofers Joint Apprenticeship	Union	18	43,424	-	-	-	-	43,424
Center For Employment Education	Union	25	64,798	29,290	-	-	20,729	114,817
Fairbanks Alaska Carpenter Training	Union	10	-	21,696	-	-	-	21,696
Fairbanks Area Painters-Decorators	Union	10	-	18,481	-	-	-	18,481
International Longshore And Warehouse Union	Union	20	16,029	-	-	-	-	16,029
Total Unions		265	183,367	96,717	-	-	101,067	381,151
98 Rural Assessment	Public Training	-	-	-	-	58,097	-	58,097
Alaska Vocational Technical Education	Public Training	15	-	16,372	-	-	17,338	33,710
Copper Valley Education	Public Training	41	32,744	1,047	-	-	44,665	78,456
Dept. Of Community & Economic	Public Training	1	-	185	-	-	-	185
New Frontier Vocational Technical	Public Training	30	39,500	7,900	3,270	14,256	935	65,861
Rsa 2180048	Public Training	20	-	1	-	17,417	2,786	20,204
Step Power Plant Operator	Public Training	20	-	21,341	-	-	9,023	30,364
University Of Alaska	Public Training	11	-	8,381	-	-	125	8,506

APPENDIX C - SCHEDULE 2
 FY 98 STEP Vendor/Grantee
 Detail Report by Type
 (Unaudited)

Vendor/Grantee Name	Type	Clients Served	Industry Specific	Classroom Training	OJT	Employment Assistance	Support Services	Total Grants
University Of Alaska - Anchorage	Public Training	95	\$ -	\$ 57,459	\$ -	\$ 59,552	\$ -	\$ 117,011
University Of Alaska - Anchorage/Matsu	Public Training	1	-	33,862	-	-	-	33,862
University Of Alaska - Chukchi	Public Training	1	-	724	-	-	-	724
University Of Alaska - Fairbanks	Public Training	73	-	155,634	-	-	32,347	187,981
University Of Alaska - Southeast	Public Training	4	-	1,448	-	-	-	1,448
Total Public Training Institutions		312	72,244	304,354	3,270	149,322	107,219	636,409
Allakaket Village Council	Native Entity	2	-	-	-	-	252	252
Bristol Bay Native Association	Native Entity	19	21,293	21,224	-	28,236	22,851	93,604
Kake Tribal Corp.	Native Entity	15	49,159	-	-	-	15,138	64,297
Rural Cap Child Development	Native Entity	1	-	-	-	-	844	844
Southeast Alaska Regional Health	Native Entity	36	16,921	-	-	-	29,532	46,453
Southeast Regional Resource Center Inc.	Native Entity	7	-	23,700	-	-	-	23,700
Tanana Chiefs Conference	Native Entity	36	16,205	2,110	-	6,718	45,582	70,615
Totem Travel	Native Entity	1	-	-	-	-	190	190
Yukon-Kuskokwim Health Corporation	Native Entity	12	33,265	-	-	-	17,071	50,336
Total Native Organizations		129	136,843	47,034	-	34,954	131,460	350,291
A & W Wholesale	Other	1	-	-	-	-	46	46
Action Auto Parts	Other	1	-	-	-	-	420	420
Advantage Rent A Car	Other	1	-	-	-	-	160	160
AEL&P	Other	4	-	-	-	-	1,570	1,570
Air Liquide America Corp.	Other	4	-	-	-	889	38	927
Alaska Forest Creations	Other	10	37,525	-	-	-	19,021	56,546
Alaska Industrial Hardware	Other	1	-	-	-	-	165	165
Alaska Marine Highway System	Other	1	-	-	-	-	41	41
Ambassador Apartments	Other	1	-	-	-	-	700	700
American Express	Other	3	-	-	-	-	2,184	2,184
Anchorage Backfront	Other	1	-	-	-	-	75	75
Anchorage Suite Lodge	Other	1	-	-	-	-	454	454
Anita Finch DBA	Other	1	-	-	-	-	704	704
Appliance Service	Other	1	-	-	-	-	361	361

APPENDIX C - SCHEDULE 2
 FY 98 STEP Vendor/Grantee
 Detail Report by Type
 (Unaudited)

Vendor/Grantee Name	Type	Clients Served	Industry Specific	Classroom Training	OJT	Employment Assistance	Support Services	Total Grants
Aramark Corp.	Other	1	\$ -	\$ -	\$ -	\$ -	\$ 1,020	\$ 1,020
Arctic Travel	Other	2	-	-	-	-	420	420
Army Navy Surplus	Other	1	-	-	-	-	250	250
Barrow Airport Inn	Other	1	-	-	-	-	135	135
Behrends Mechanical Inc.	Other	1	-	-	-	-	356	356
Bellevue Travel Lodge	Other	1	-	-	-	-	508	508
Bering Air	Other	1	-	-	-	-	96	96
Best Western Country	Other	1	-	-	-	-	65	65
Big Rays, Inc.	Other	4	-	-	-	434	519	953
Big Sky Fire Protection, Inc.	Other	1	-	-	4,176	-	-	4,176
Brown & Sons Auto Parts	Other	3	-	-	-	-	974	974
C & B Of Juneau	Other	6	-	-	-	-	405	405
Capital Cab	Other	1	-	-	-	-	612	612
Cellular Connection	Other	1	-	-	2,048	-	-	2,048
Chugach Children Services	Other	1	-	95	-	-	-	95
Comfort Inn	Other	1	-	-	-	-	467	467
Conkles Automotive Repair	Other	1	-	-	-	-	400	400
Creative Play & Preschool	Other	1	-	-	-	-	435	435
Deeter, Randy DDS	Other	1	-	-	-	-	1,128	1,128
Division Of Occupational Licensing	Other	1	-	-	-	-	100	100
Driftwood Lodge	Other	1	-	-	-	-	1,364	1,364
Econolodge	Other	1	-	-	-	-	1,400	1,400
Fairbanks Daily News Miner	Other	1	-	-	-	99	-	99
Fairbanks North Star Borough	Other	7	-	-	-	-	2,699	2,699
Fred Meyer	Other	2	-	-	-	-	400	400
Genuine Part Co.	Other	1	-	-	-	-	323	323
Glacier Muffler & Towing	Other	1	-	-	-	-	500	500
Goldpanners Chevron	Other	2	-	-	-	-	275	275
Happy Hooker Towing	Other	1	-	-	1,200	-	-	1,200
Hogan, Meecham, Hogan	Other	3	-	2,623	1,100	-	-	3,723
Hospitality Unlimited	Other	1	-	-	-	-	969	969
Interior Graphics	Other	2	-	-	-	-	175	175
J. C. Penney, Inc.	Other	1	-	-	-	-	196	196

APPENDIX C - SCHEDULE 2
 FY 98 STEP Vendor/Grantee
 Detail Report by Type
 (Unaudited)

Vendor/Grantee Name	Type	Clients Served	Industry Specific	Classroom Training	OJT	Employment Assistance	Support Services	Total Grants
Johnstone Supply	Other	1	\$ -	\$ -	\$ -	\$ -	\$ 1,339	\$ 1,339
Kinkos	Other	3	-	-	-	-	85	85
K-Mart	Other	3	-	-	-	-	225	225
Lab Flying Service	Other	1	-	-	-	-	122	122
Lamonts	Other	7	-	-	-	-	824	824
Laskey, John DDS	Other	1	-	-	-	-	750	750
Marbil Services	Other	1	-	-	-	-	2,216	2,216
Mendenhall Valley Tesoro	Other	1	-	-	-	-	80	80
Mikes University Chevron	Other	11	-	-	-	-	3,695	3,695
Mortgage	Other	1	-	-	3,992	-	-	3,992
N.W. Arctic Borough	Other	3	-	3,310	-	-	4,303	7,613
Naabia Niign Ltd.	Other	1	-	-	56	-	-	56
Northern Keta Caviar	Other	2	10,500	-	-	-	5,177	15,677
Northern Lights Heating & Cooling	Other	1	3,360	-	-	-	-	3,360
Northland Books & Charts	Other	5	-	380	-	-	397	777
Nugget Alaskan	Other	2	-	-	-	-	482	482
Payless Drugs	Other	1	-	-	-	-	88	88
Peninsula Motel Association	Other	1	-	-	-	-	265	265
Price Costco	Other	1	-	-	-	-	1,015	1,015
Rapid Tool & Supply	Other	1	-	-	-	-	1,289	1,289
Rental Management Services	Other	1	-	2,800	-	-	-	2,800
Riederer, Mark DDS	Other	1	-	-	-	-	320	320
Seafarers Welfare Plan	Other	1	-	210	-	-	-	210
Sears	Other	8	-	-	-	-	5,124	5,124
Sears Optical	Other	12	-	-	-	2,657	-	2,657
Security Aviation, Inc.	Other	1	-	5,500	-	-	-	5,500
Sego Consultants	Other	1	-	695	-	-	-	695
Silver Eagle Transport	Other	1	-	-	-	-	84	84
Sitka Council On Alcohol And Drug Abuse	Other	1	-	-	-	-	160	160
Soldotna Kiddie Kare	Other	1	-	-	-	-	391	391
Sourdough Lodging	Other	1	-	-	-	-	2,395	2,395
Southeast Executavel	Other	7	-	-	-	-	4,390	4,390

APPENDIX C - SCHEDULE 2
 FY 98 STEP Vendor/Grantee
 Detail Report by Type
 (Unaudited)

Vendor/Grantee Name	Type	Clients Served	Industry Specific	Classroom Training	OJT	Employment Assistance	Support Services	Total Grants
Sunshine Travel	Other	2	\$ -	\$ -	\$ -	\$ -	\$ 3,069	\$ 3,069
Sweetwater Travel	Other	1	-	-	-	-	268	268
Switzer Village Mobile	Other	1	-	-	-	-	235	235
Taku Oil Sales	Other	1	-	-	-	-	423	423
Tanana Valley Clinic	Other	4	-	-	-	-	145	145
Taquan Travel	Other	2	-	-	-	-	1,336	1,336
Technology Connection	Other	1	-	-	-	-	309	309
Tonys Int., Inc.	Other	1	-	-	333	-	-	333
U. S. Postmaster	Other	-	-	-	-	-	115	115
U-Haul	Other	1	-	-	-	-	808	808
United Insurance	Other	1	-	-	-	-	78	78
Total Other		185	51,385	15,613	12,905	4,079	84,132	168,114
Client Reimbursements	Individual Training	55	-	1,700	1,620	-	23,357	26,677
Total Client Reimbursements		55	-	1,700	1,620	-	23,357	26,677
	Total	1,597	\$ 518,917	\$ 816,028	\$ 17,795	\$ 403,935	\$ 462,634	\$ 2,219,309

APPENDIX C - SCHEDULE 3
 FY 99 STEP Vendor/Grantee
 Detail Report by Type
 (Unaudited)

Vendor/Grantee Name	Type	Clients Served	Industry Specific	Classroom Training	OTJ	Employment Assistance	Support Services	Total Grants
AAI Engineering Support	Private Training	1	\$ -	\$ 3,020	\$ -	\$ -	\$ -	\$ 3,020
Academy Of Myofascial	Private Training	1	-	5,500	-	-	-	5,500
Airplane Training Professionals	Private Training	1	-	1,895	-	-	-	1,895
American Airlines Travel Academy	Private Training	1	-	3,695	-	-	1,292	4,987
Boise State University	Private Training	1	-	1,236	-	-	-	1,236
Browns School Of Phlebotomy	Private Training	1	-	3,660	-	-	-	3,660
Career Academy	Private Training	3	-	14,495	-	-	-	14,495
Charter College	Private Training	5	-	8,443	-	-	-	8,443
Cornerstone Home Health Care	Private Training	40	67,393	-	-	-	19,739	87,132
Data Bank Computer Services	Private Training	1	-	4,855	-	-	-	4,855
Embry Riddle Aeronautical	Private Training	1	-	1,793	-	-	-	1,793
Environmental Management, Inc.	Private Training	3	1,645	1,220	-	-	-	2,865
Flight Safety Alaska	Private Training	1	-	5,500	-	-	-	5,500
Flight Safety International	Private Training	1	-	4,675	-	-	-	4,675
Galvin Flight Training	Private Training	1	-	5,500	-	-	-	5,500
Human Resource Center, Inc., Inc.	Private Training	174	-	-	-	68,382	-	68,382
Juneau Urgent Care	Private Training	1	-	88	-	-	-	88
Kasilof Medical	Private Training	1	-	2,500	-	-	-	2,500
MILA, inc.	Private Training	121	-	139,112	-	30,600	-	169,712
Network Business Systems	Private Training	7	-	30,652	-	-	-	30,652
New Concepts Beauty School	Private Training	2	-	1,255	-	-	46	1,301
NRI School McGraw-Hill	Private Training	1	2,890	-	-	-	-	2,890
Red Cross Of America	Private Training	1	-	40	-	-	-	40
Regional Alcohol & Drug Abuse	Private Training	7	12,465	-	-	-	15,765	28,230
Simcom International	Private Training	1	-	5,400	-	-	-	5,400
SST Travel School	Private Training	2	-	7,890	-	-	-	7,890
Testing Institute Of Alaska	Private Training	10	-	39,625	-	-	-	39,625
Trophy Tan & Taxidermy	Private Training	1	-	-	2,999	-	-	2,999
University of California - Los Angeles	Private Training	1	-	3,000	-	-	-	3,000