

# **State of Alaska FY2003 Governor's Operating Budget**

**Department of Labor and Workforce Development**

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**Department Mission**

The mission of the Department of Labor and Workforce Development is to promote safe and fair working conditions and to advance opportunities for employment.

**Department Goals and Strategies**

1) PUT ALASKANS TO WORK.

- Increase marketing of employment services to Alaska employers including the opportunity for them to post their job orders directly to Alaska's Job Bank through use of the Internet.
- Provide partial income replacement to insured workers during periods of temporary unemployment through an efficient and convenient application process.
- Provide Adult Basic Educational Services to assist Alaskans' transition into higher education, vocational education, and ultimately into employment.
- Reduce jobless rate among Alaskans with disabilities.

2) ENSURE THAT ALASKAN WORKERS ARE: PROVIDED SAFE AND HEALTHY WORKPLACES AND COMMUNITIES; PROTECTED FROM ECONOMIC HARDSHIP WHEN INJURED ON THE JOB; RECEIVE WAGES AND OVERTIME PAY IN ACCORDANCE WITH THE ALASKA WAGE AND HOUR ACT.

- Maintain the FY 01 levels of health and safety consultations at 471 visits per year, and training of employers and workers at 1,587 students per year.
- Prioritize both assistance and compliance activities for high-hazard industries.
- Increase utilization of the Fishermen's Fund through outreach to fishermen and providers.
- Increase efforts to educate employers about child labor laws and prioritize child labor law enforcement to prevent employment of minors in hazardous occupations.

3) UTILIZE TECHNOLOGY TO IMPROVE SERVICE TO THE PUBLIC.

- Design and implement improvements to the Worker Profiling and Reemployment Services (WPRS) program that serves and tracks clients.
- Continue to increase the amount of demographic and labor market information available through the department's website.

**Key Department Issues for FY2002 – 2003**

The department needs to prepare and plan to facilitate the maximum use of Alaska's resident workforce for the construction and operation of any potential Alaska gas line, ANWR development and/or missile defense installation.

The Occupational Safety and Health program will be in the fifth year of the five-year strategic plan. Meeting the objectives set out in the Federal Fiscal Year 2001 Annual Performance Plan and the five-year Strategic Plan as approved by the Federal Occupational Safety and Health Administration will be a major effort on the part of the program staff.

The Training and Vocational Education Program (TVEP) diverts money from the UI Trust Fund and has been used for capital improvements. To this point TVEP has not targeted UI eligible recipients, nor are there any performance standards attached to the current usage. With the adoption of regulations we anticipate that TVEP will complement and enhance the State Training and Employment Program (STEP).

The federal Resource Justification Model (RJM) will be implemented in February 2002 and begin gathering data. This data will be used in a new formula for allocating federal funds to administer the Unemployment Insurance program. The results of the RJM will be applied for the first time when the federal FY 2004 grant budget is developed.

Recruitment and retention of data processing staff continues as a critical problem. Projects will continue as prioritized but overall available staff and their level of training and experience will limit progress.

Due to the Supreme Court decision in Arctic Bowl v Second Injury Fund as well as other causes there has been an increase in the number of approvals for recovery from the Fund. Budget increases in FY 2001 and FY 2002 were granted to deal with this issue, but this needs to be followed closely to assure that there are sufficient funds to cover increased liabilities.

Efforts to decrease the boiler and pressure vessel inspection backlog continue. With the requested addition of two new inspectors in the Mechanical Inspection section, and assuming the ability to retain current staff, the section estimates that the backlog could be significantly reduced, if not eliminated, by FY 2006.

The department is addressing a need to provide greater capacity in the One-Stop delivery system to effectively serve people with disabilities and will continue the advancement of Informed Choice in all facets of Vocational Rehabilitation services.

### **Major Department Accomplishments in 2001**

In 2000, 3,984 more Alaskans were employed than in 1999 and wages earned by Alaskans increased by \$389.2 million. The number of nonresident workers remained virtually the same as 1999, with an additional 160 nonresidents working in Alaska in 2000 over 1999. Wages paid to nonresident workers increased by \$52.9 million in 2000 over 1999. Residency was based upon Permanent Fund Dividend data.

The Occupational Safety & Health program enrolled three Alaskan employers in the Voluntary Protection Program (VPP); one was reapproved from Merit to Star level and two were new to the program (one Star and one Merit). In the Safety and Health Achievement Recognition Program (SHARP), OSH reapproved one employer and reviewed and approved another for a total of two SHARP awards.

A total of \$114.4 million in unemployment benefits was paid to 51,074 insured workers.

Excluding self-service customers, 11,147 job seekers entered employment through Alaska Job Center Network staff efforts.

The Alaska Labor Relations Agency applied streamlined unit clarification procedures, which reduced the backlog of petitions on the supervisory status of State employees. Emphasis was placed on resolving older cases that were filed prior to 1999, while conducting investigations on new cases filed. Most of the oldest cases have been resolved. The number of open petitions has not changed substantially, as 21 cases were filed and 22 cases were concluded in FY2001. Approximately half of the cases filed in FY2001 have been resolved, thereby improving the average amount of time for resolution.

5,310 full-time adult learners were served through Adult Basic Education programs.

The reporting backlog was eliminated and the department was brought into compliance with all federal reporting time frames.

The Labor Market Information component developed and implemented an interactive data inquiry system on the Internet to enable public access to the most current 2000 Census information available.

The department promulgated regulations governing the Alaska Human Resource Investment Council and the State Training Employment Program.

There continue to be reductions in the number of uninsured workplace injuries as a result of investigative efforts by the department that identify and contact potentially uninsured employers prior to an injury occurring.

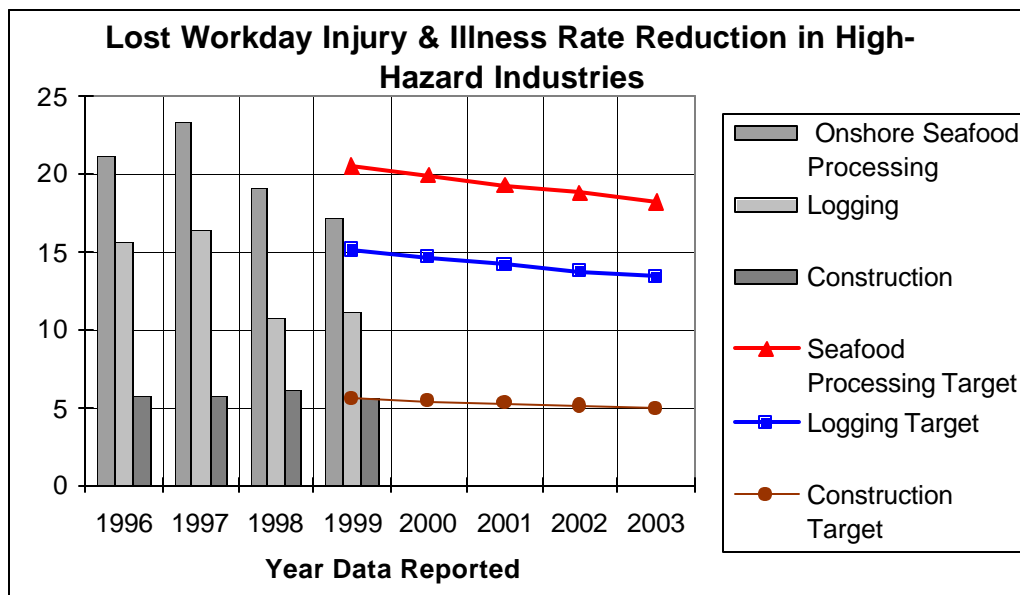
The Alaska Division of Vocational Rehabilitation expanded its presence in Alaska Job Centers throughout the state and incorporated more accessible technology to determine the aptitudes and interests of people with disabilities in their career planning and community based job assessments.

### Governor's Key Department-wide Performance Measures for FY2003

**Measure:**

The number of lost workdays in high-hazard industries, including seafood processing, logging, and construction. Sec 91(b)(1) Ch 90 SLA 2001(HB 250)

**Alaska's Target & Progress:**



The target is to reduce injuries and illnesses in each of three high hazard industries by 15% over five years (~3% per year) by focusing on those workplaces with the highest injuries and illnesses. Targeted industries are construction, logging, and seafood processing.

**Bureau of Labor Statistics Lost Workday Injury & Illness Rates for Selected Industries**

	1996	1997	1998	1999	%Change 1996-1999
<b>All Private Sector</b>	4.1	4.2	3.9	3.8	(7.3%)
<b>Construction</b>	5.7	5.7	6.1	5.6	(1.8%)
<b>Logging</b>	15.6	16.4	10.8	11.1	(28.8%)
<b>Onshore Seafood Processing</b>	21.2	23.3	19.1	17.1	(19.8%)

Bureau of Labor Statistics (BLS) statistics reflect the previous calendar-year activity, not the previous budget-year activity. Because the data is reported in December of the following year, the lag is nearly two years. Targets were derived using 1996 data (latest available at that time) reduced by 3% to set the 1999 target and applying a 3% reduction to each following year. The above injury and illness rates are per 100 full time workers and all data is based on calendar years.

**Benchmark Comparisons:**

We have been unsuccessful in obtaining useful comparison statistics from other states. Other states use different target industries. Even though we use the same industries as the federal government, they obtain their statistics on a different set of specific criteria, which makes a comparison invalid at this time. The targets shown are the federal grant performance measures for the department.

**Background and Strategies:**

The Alaska Occupational Safety & Health program is involved in on-going efforts to integrate compliance assistance with enforcement strategies in order to better direct the resources of the program toward high-hazard industries and workplaces, and toward the particular hazards and issues that cause accidents or represent recognized threats to worker safety and health. Success in this area will result in reductions in lost workdays due to job-related illness or accidents.

The department wishes to work with the legislature to revise this measure. As stated in statute this measure calls for the number of lost workdays. The department would like this to be revised to measure incidence rates. This change would align the measure with the program's federal grant performance measure. Also the department and federal government utilize rates in all other reporting and measuring functions.

**Measure:**

The number of registered clients who enter employment after receiving services through an Alaska Job Center.  
Sec 87(b)(1) Ch 90 SLA 2001(HB 250)

**Alaska's Target & Progress:**

Increase to 37% the number of registered clients who entered employment after receiving service through an Alaska Job Center. For State FY2001, 36.3% of served clients have entered employment.

**Benchmark Comparisons:**

The benchmark was established at 31.6% by averaging the last two completed fiscal years (2000 and 2001). The percentage was lower in FY00 (28.5%) than in FY01 (34.7%), as it is economy driven. Success in reaching this target will require our adopting new and additional strategies and applying further resources to the goal.

Note: This benchmark is based on Alaska averaging because the U.S. Department of Labor did not have ES Performance Standards in prior years.

**Background and Strategies:**

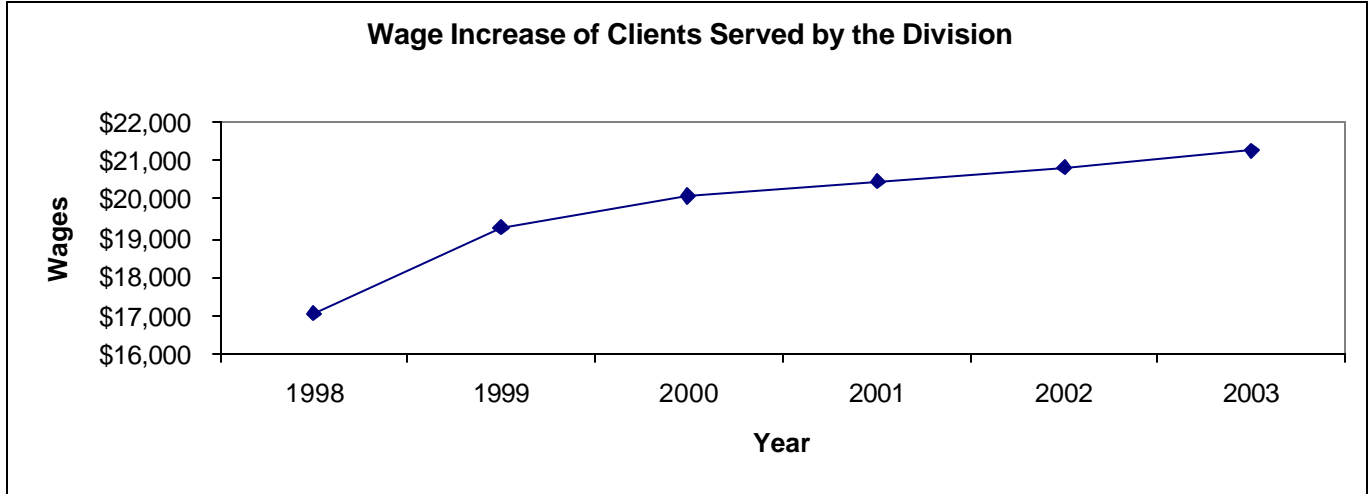
Staff-assisted service is necessary to increase the probability of a registered client entering employment. Emphasis will be placed on the following strategies:

1. Staff-assisted job search support, such as referrals, resume writing, case management, interviewing techniques and other workshops and activities that will help clients enter employment;
2. Tracking of services provided in the statewide management information system;
3. Outreach to employers and rural job seekers;
4. Marketing services to employers, job seekers, and communities.
5. Surveys to employers and job seekers to gauge their satisfaction, and continuously improve services.

**Measure:**

The increase in wages of clients who are served by the Vocational Rehabilitation Division.  
 Sec 92(b)(3) Ch 90 SLA 2001(HB 250)

**Alaska's Target & Progress:**



Increase the annual wages of clients served. The average annual wage earned by Alaskans with disabilities that received services increased from \$20,084 in FY00 to \$20,425 in FY01. For FY02 and FY03 the program will work to increase the average annual wage by 2% each year. This would be to \$20,834 in FY02 and \$21,250 in FY03.

**Benchmark Comparisons:**

In FY98 the program established a base amount of \$17,062 for the average annual earnings of individuals with disabilities placed in the workforce.

**Background and Strategies:**

The program will consider that an individual has achieved an employment outcome when the following have been met:

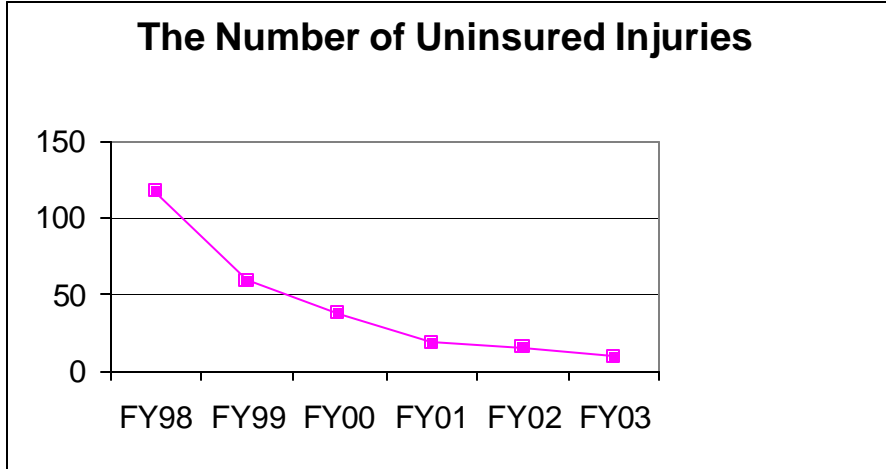
- a) The provision of services under the individual's Individual Plan for Employment (IPE) contribute to the achievement of the employment.
- b) The employment is in the most integrated setting possible and is consistent with the individual's strengths, resources, priorities, concerns, abilities, capabilities, interests, and informed choice.
- c) The individual has maintained the employment for a period of at least 90 days.

Counselors will emphasize placing clients in well paying jobs with employee benefits.

**Measure:**

The number of uninsured workplace injuries.  
Sec 90(b)(4) Ch 90 SLA 2001(HB 250)

**Alaska's Target & Progress:**



Reduction of uninsured injuries

- FY98 - 117
- FY99 - 59
- FY00 - 38
- FY01 - 19
- FY02 - 15 (projections)
- FY03 - 10 (projections)

**Benchmark Comparisons:**

Since the law says that all employers must insure all their employees the benchmark for this must be zero uninsured injuries.

**Background and Strategies:**

Because of the rise of uninsured injuries the Division hired an investigator in FY99. The investigator performs investigations and promotes legal compliance through computer generated information inquiries, letters to uninsured employers, on site investigations, cease and desist orders, accusations before the Workers' Compensation Board, testimony before the Board which leads to stop orders and fines, and presentation of evidence and testimony in criminal prosecutions through the Department of Law. These activities have been greatly enhanced by the new computer system.

**Department Budget Summary by BRU**

*All dollars in thousands*

	FY2001 Actuals				FY2002 Authorized				FY2003 Governor			
	General Funds	Federal Funds	Other Funds	Total Funds	General Funds	Federal Funds	Other Funds	Total Funds	General Funds	Federal Funds	Other Funds	Total Funds
<b>Formula Expenditures</b>	None.											
<b>Non-Formula Expenditures</b>												
Employment Security	2,364.5	42,418.7	12,175.7	56,958.9	2,320.0	53,932.0	11,510.4	67,762.4	2,340.8	55,857.7	11,418.3	69,616.8
Administrative Services	1,293.5	6,712.7	3,764.0	11,770.2	1,315.5	7,674.1	3,849.1	12,838.7	1,308.2	8,428.0	4,075.9	13,812.1
Office of the Commissioner	711.8	0.0	640.8	1,352.6	685.6	80.5	530.0	1,296.1	702.3	0.0	1,069.8	1,772.1
Workers' Compensation	1,370.4	0.0	4,963.7	6,334.1	785.6	0.0	6,258.8	7,044.4	173.5	0.0	6,931.0	7,104.5
Labor Standards and Safety	3,267.4	1,790.9	972.7	6,031.0	3,011.1	1,852.3	1,300.7	6,164.1	3,388.6	1,942.3	1,697.5	7,028.4
Vocational Rehabilitation	3,984.3	14,225.0	1,040.6	19,249.9	4,110.3	18,716.9	1,186.7	24,013.9	4,143.2	17,753.4	1,176.9	23,073.5
<b>Totals</b>	<b>12,991.9</b>	<b>65,147.3</b>	<b>23,557.5</b>	<b>101,696.7</b>	<b>12,228.1</b>	<b>82,255.8</b>	<b>24,635.7</b>	<b>119,119.6</b>	<b>12,056.6</b>	<b>83,981.4</b>	<b>26,369.4</b>	<b>122,407.4</b>



**Funding Source Summary**

*All dollars in thousands*

<b>Funding Sources</b>	<b>FY2001 Actuals</b>	<b>FY2002 Authorized</b>	<b>FY2003 Governor</b>
1002 Federal Receipts	65,147.3	82,255.8	83,981.4
1003 General Fund Match	3,251.2	3,037.7	2,734.8
1004 General Fund Receipts	8,863.4	8,235.7	8,349.8
1005 General Fund/Program Receipts	877.3	954.7	972.0
1007 Inter-Agency Receipts	12,522.6	10,673.7	11,242.8
1031 Second Injury Fund Reserve Account	3,155.4	3,173.8	3,177.6
1032 Disabled Fishermans Reserve Account	746.4	1,307.8	1,312.2
1049 Training and Building Fund	581.6	682.6	692.7
1053 Investment Loss Trust Fund	90.8		
1054 State Employment & Training Program	4,468.7	5,150.1	5,165.6
1061 Capital Improvement Project Receipts		75.0	157.4
1108 Statutory Designated Program Receipts	327.5	638.5	639.6
1117 Vocational Rehabilitation Small Business Enterprise Fund	174.3	365.0	365.0
1157 Workers Safety and Compensation Administration Account	1,490.2	2,569.2	3,616.5
<b>Totals</b>	<b>101,696.7</b>	<b>119,119.6</b>	<b>122,407.4</b>

**Position Summary**

<b>Funding Sources</b>	<b>FY2002 Authorized</b>	<b>FY2003 Governor</b>
Permanent Full Time	793	852
Permanent Part Time	70	59
Non Permanent	10	9
<b>Totals</b>	<b>873</b>	<b>920</b>

**FY2003 Capital Budget Request**

<b>Project Title</b>	<b>General Funds</b>	<b>Federal Funds</b>	<b>Other Funds</b>	<b>Total Funds</b>
Electronic Data Interchange Expansion to the Workers' Compensation Computer System	60,000	0	0	60,000
Home Modifications and Assistive Technology for Individuals with Disabilities	200,000	0	0	200,000
<b>Department Total</b>	<b>260,000</b>	<b>0</b>	<b>0</b>	<b>260,000</b>

*This is an appropriation level summary only. For allocations and the full project details see the capital budget.*

## Overview of Departmental Budget Changes

### EMPLOYMENT SECURITY

This BRU assesses and collects Unemployment Insurance (UI) tax, pays UI benefits, provides labor exchange services and provides access to state and employer sponsored training.

There is a reduction of \$750.0 of interagency receipt authorization included in the Job Training Programs component. This is the result of an administrative change that eliminated the need for an RSA and does not reflect a change in any services.

#### Services Changes:

The Employment Service Component will develop an automated skills inventory program for Western Alaska. This will be funded through a \$750.0 RSA from the University of Alaska.

The Job Training Programs Component will increase services to rural Alaskans through Denali Commission grants. A federal authorization increase of \$2,000.0 is included to fund these activities.

The Adult Basic Education Component will implement and focus on the new GED test beginning January 2002.

The Unemployment Insurance Component will implement employer telephonic registration that will substantially reduce the follow up required on incomplete paper registration forms.

### ADMINISTRATIVE SERVICES

The BRU provides fiscal and personnel management; fund accounting; administrative services; employment, wage, population, demographic and economic information; and data processing support.

### OFFICE OF THE COMMISSIONER

This BRU provides direction in the administration of the department's programs and facilitates the resolution of disputes between organized labor and public employers.

#### Service Changes:

The Alaska Human Resource Investment Council (AHRIC) will be taking over the management and technical assistance of the post secondary Carl Perkins Program going to six regional community colleges as well as taking over the management, assessment and technical assistance responsibilities for the certification of the post secondary vocational education institutions.

The AHRIC will also operate WorkStar which is an initiative by the Governor to recognize the outstanding welfare to work employers and employees. Gaining an understanding of the needs of welfare recipients moving into employment and monitoring concerns of employers are important issues for the AHRIC.

The Commissioner's Office added a Gas Pipeline Liaison position in the FY 2002 Management Plan. The position will represent the department in all inter- and intra-agency deliberations; provide liaison and outreach to external stakeholders with regard to employment and training of Alaskan workers and socio-economic impacts in general; and provide for appropriate review of mechanical, electrical and health and safety issues attendant to the application process.

## WORKERS' COMPENSATION

The BRU administers the state's Workers' Compensation Act, the Fishermen's Fund and the Second Injury Fund to aid Alaskans with employment related injuries and illnesses.

A fund source change of \$625.4 from General Funds to the Workers Safety & Compensation Administration Account is included in this budget. With the exception of a small (\$143.6) general funded grants program for preexisting injuries, this completes the conversion of this component to fee based funding.

## LABOR STANDARDS AND SAFETY

This BRU provides assistance and oversight relating to the laws governing employment practices and occupational safety and health; training, licensing or certification; and enforcement of various construction contractors, electrical and mechanical administrators, electricians, plumbers, blasters and individuals who work with toxic or hazardous substances.

A fund source change of \$343.5 from General Fund Match to the Workers Safety & Compensation Administration Account is included in this budget. This completes the conversion of federal grant matching funds from general fund match to fee based funding.

### Service Changes:

With the requested addition of two new technician positions, the Wage and Hour program anticipates improved enforcement levels of minimum wage, overtime, and child labor and public contract laws state-wide with available resources.

The Mechanical Inspection program anticipates a reduction in the inspection backlog with the requested addition of new positions. Inspections should increase by approximately 2,400 per year, with a corresponding increase in certificates issued and revenues earned.

With the requested addition of a new position, the Occupational Safety and Health (OSH) program anticipates a 10% increase in the number of cases handled in the program.

Under the FY 2003 Oil Safety and Development Initiative, OSH will take on more responsibility for monitoring and inspection of facilities associated with development and remediation of on-shore drilling sites, in order to ensure safe and healthy working conditions for employees associated with these activities.

## VOCATIONAL REHABILITATION

The BRU assists individuals with disabilities to overcome barriers to employment and encourage independence and integration into their community.

Federal authorization of \$747.9 for the Access to Alaska and \$350.0 for the Transition Initiative is being deleted as these grants are not expected in FY 2003.

## Summary of Department Budget Changes by BRU

### From FY2002 Authorized to FY2003 Governor

*All dollars shown in thousands*

	<u>General Funds</u>	<u>Federal Funds</u>	<u>Other Funds</u>	<u>Total Funds</u>
<b>FY2002 Authorized</b>	<b>12,228.1</b>	<b>82,255.8</b>	<b>24,635.7</b>	<b>119,119.6</b>
<b>Adjustments which will continue current level of service:</b>				
-Employment Security	20.8	-24.7	107.9	104.0
-Administrative Services	19.3	565.9	228.4	813.6
-Office of the Commissioner	16.7	-80.5	97.2	33.4
-Workers' Compensation	-612.1	0.0	672.2	60.1
-Labor Standards and Safety	-279.4	40.0	373.8	134.4
-Vocational Rehabilitation	32.9	151.9	7.8	192.6
<b>Proposed budget decreases:</b>				
-Employment Security	0.0	-49.6	-200.0	-249.6
-Administrative Services	-26.6	0.0	-45.9	-72.5
-Vocational Rehabilitation	0.0	-1,115.4	-17.6	-1,133.0
<b>Proposed budget increases:</b>				
-Employment Security	0.0	2,000.0	0.0	2,000.0
-Administrative Services	0.0	188.0	44.3	232.3
-Office of the Commissioner	0.0	0.0	442.6	442.6
-Labor Standards and Safety	656.9	50.0	23.0	729.9
<b>FY2003 Governor</b>	<b>12,056.6</b>	<b>83,981.4</b>	<b>26,369.4</b>	<b>122,407.4</b>