

State of Alaska FY2004 Governor's Operating Budget

Department of Labor and Workforce Development

Commissioner: Greg O'Claray

Tel: (907) 465-2700 **Fax:** (907) 465-2784 **E-mail:** Greg_O'Claray@labor.state.ak.us

Administrative Services Director: JoEllen Hanrahan

Tel: (907) 465-2720 **Fax:** (907) 465-2107 **E-mail:** Jo_E_Hanrahan@labor.state.ak.us

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.

Proposed Change:

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

Department Goals and Strategies

1) HELP ALASKANS FIND WORK.

- Increase marketing of employment services to Alaska employers.
- Provide partial income replacement to insured workers during periods of temporary unemployment through an efficient and convenient application process.
- Assist Alaskans' to achieve higher education, vocational education, and employment by providing adult basic education services.

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

- Conduct at least 411 health and safety consultations per year. Provide training to 1,944 employers and workers per year.
- Establish priorities for 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.

Key Department Issues for FY2003 – 2004

The department plans to streamline and strengthen the business-led Alaska Workforce Investment board structures. This will result in one State Board and four to five Regional Councils that will align with state Economic Development regions.

The department plans to explore assistance possibilities for displaced fishers, including the Trade Adjustment Assistance and Dislocated Worker funds.

During the coming year, the department will prepare and plan for the maximum use of Alaska's resident workforce for the construction and operation of potential transportation projects, the Alaska gas line, ANWR development and/or missile defense installation.

Congressional re-authorization of the Workforce Investment Act in 2004 may result in changes to issues affecting Alaska including: performance measures, one-stop partners, and potential Wagner-Peyser program integration.

The Occupational Safety and Health program will be in the first year of a new five-year strategic plan approved by the Federal administration. Meeting the FY04 objectives set out in this plan will be a major effort on the part of the program staff.

The federal Unemployment Insurance grant was reduced by \$1.4 million for FFY03. This resulted from the new federal Resource Justification Model now used to allocate federal funds for this program. The reduced funding level raises the question of whether or not we will have sufficient resources to meet operating expenses.

The boiler and pressure vessel inspection backlog continues to be addressed. Although inspections have increased, many new boilers are being identified during the inspections. The section estimates that the backlog could be significantly reduced, if not eliminated, by FY 2006.

The department is continuing to address a need to provide greater capacity in the One-Stop delivery system to effectively serve people with disabilities.

Major Department Accomplishments in 2002

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

The Employment Services component received the "Prism Award" from the US Department of Labor in conjunction with the National Association of State Workforce Agencies for exceptional service to Alaska's employers.

A total of \$132.5 million in unemployment insurance benefits was paid to 54,532 insured workers.

Excluding self-service customers, 10,619 job seekers entered employment through Alaska Job Center Network staff efforts.

The Alaska Labor Relations Agency applied streamlined unfair labor practice procedures to resolve new cases more rapidly; emphasized resolving older cases thereby eliminating the backlog of active cases filed from 1998 to 2001; and completed four high priority unfair labor practice investigations in 2002 in an average of 52 days, surpassing the board's goal of 60 days.

5,272 full-time adult learners were served through Adult Basic Education programs.

The Management Services component eliminated all vendor payment backlogs.

In 2001, 3,996 more Alaskans were employed than in 2000 and wages earned by Alaskans increased by \$420.0 million. The number of nonresident workers increased by 2,975 or 4.6% over the same period. Wages paid to nonresident workers increased by \$112.0 million in 2001 over 2000.

The Labor Market Information component deployed the "Workforce Info" interactive Internet data inquiry system. For a variety of customers this provides a single point of entry, data browsing tools, career resources, and data downloading capabilities, all in an integrated web-based application.

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.

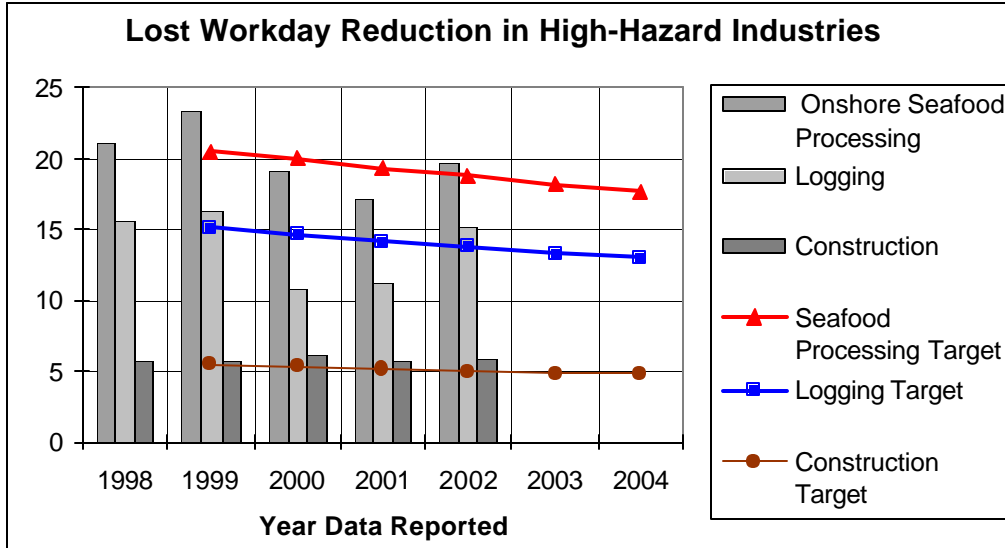
Governor's Key Department-wide Performance Measures for FY2004

Measure:

The injury incident rate for lost workdays in high-hazard industries, including seafood processing, logging, and construction.

Sec 91(b)(1) Ch 124 SLA 2002(HB 515)

Alaska's Target & Progress:



The current 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 number of injuries and illnesses. Targeted industries are construction, logging, and seafood processing. New targets will be established with the new federal five-year strategic plan that will be implemented in October 2003. These target numbers are not yet defined.

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

	1996	1997	1998	1999	2000	%Change 1996-2000
All Private Sector	4.1	4.2	3.9	3.8	3.7	(9.8%)
Construction	5.7	5.7	6.1	5.6	5.8	(1.8%)
Logging	15.6	16.4	10.8	11.1	15.1	(3.2%)
Onshore Seafood Processing	21.2	23.3	19.1	17.1	19.7	(7.1%)

Bureau of Labor Statistics (BLS) statistics reflect the previous calendar-year activity, not the previous budget-year activity. Because the data are 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 are 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 target numbers currently used in this measure are based on the federal strategic (five-year) plan implemented in federal fiscal year 1998. The division is in the fifth and last year of this plan, and about to begin development of the next strategic plan. Goals and targets will change when the new five-year plan is implemented in October 2003.

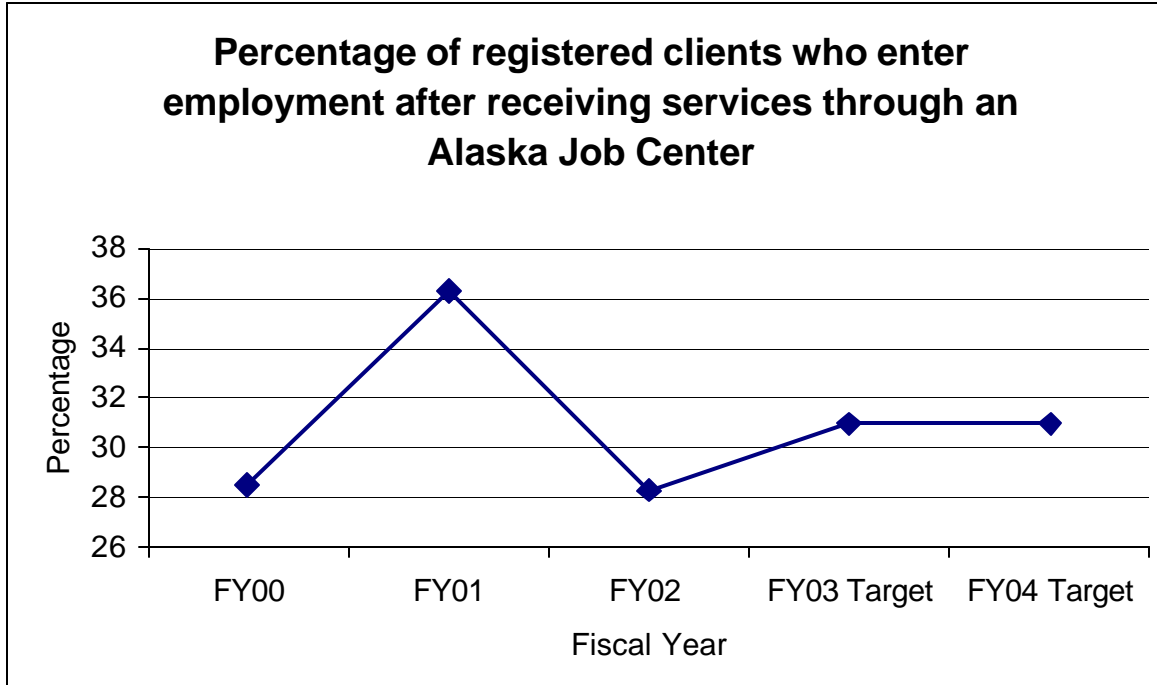
The Alaska Occupational Safety & Health program is involved in on-going efforts to integrate compliance assistance with enforcement strategies in order to better direct the resources of the program toward high-hazard industries and workplaces, and toward the particular hazards and issues that cause accidents 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.

Measure:

The number of registered clients who enter employment after receiving services through an Alaska Job Center and compared to the prior fiscal year, the percentage of change in that number.

Sec 87(b)(1) Ch 124 SLA 2002(HB 515)

Alaska's Target & Progress:



The number of registered clients served by Employment Services has been increasing over the last three years (FY00 - 30,684, FY01 - 32,161, FY02 - 39,667). The number of those clients who entered employment has generally increased over the last three years, but not consistently (FY00 - 8,747, FY01 - 11,677, FY02 - 11,215). The reason for the annual client drop from FY01 to FY02 is probably due to more self service clients entering employment and these self service clients are not counted in the ES entered employment report data. As customers gain familiarity with the ES resource rooms and available self-service activities (including internet-based resources), more clients may directly contact employers rather than use ES staff.

Benchmark Comparisons:

Dividing the number of ES clients entering employment by the number of ES clients being served provides the percentage of ES clients entering employment. This percentage fluctuates by fiscal year, as it is economy driven (FY00 - 28.5%, FY01 - 36.3%, FY02 - 28.3%). The percentage benchmark is established at 31% by averaging these last three completed fiscal years. In FY2004, we plan to meet this minimum 31 percent of those ES clients served who will enter employment.

Success in reaching this target will require the adoption of new and additional strategies and applying further resources to the goal. 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:

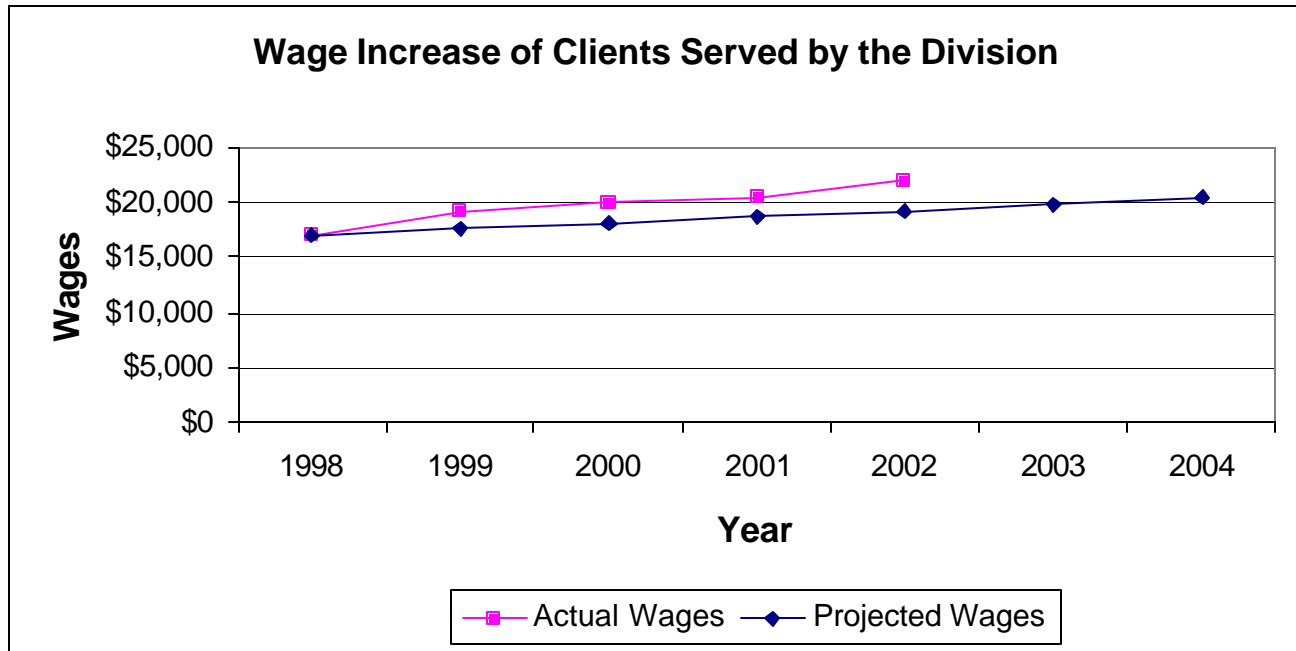
1. Staff-assisted job search support, such as referrals, resume writing, case management, interviewing techniques and other workshops and activities that will help clients enter employment;
2. Tracking of services provided in the statewide management information system;
3. Outreach to employers and rural 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 124 SLA 2002(HB 515)

Alaska's Target & Progress:



The Division of Vocational Rehabilitation works to 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, and \$22,017 in FY02. These amounts exceeded our targets for those years.

For FY03 and FY04 the program will work to maintain an average annual wage that is at least a 3% increase for each year starting with the FY98 base year. This would be targets of \$19,780 in FY03 and \$20,370 in FY04.

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.

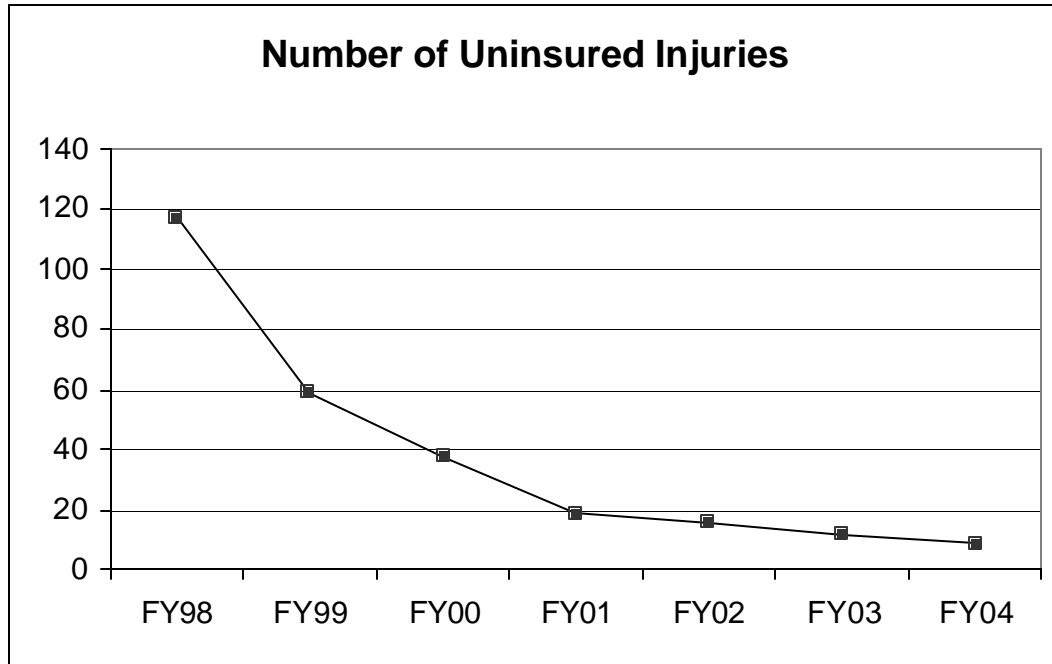
Counselors will emphasize placing clients in well paying jobs with employee benefits.

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 - 16

FY03 - 12 (projection)

FY04 - 9 (projection)

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 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

	FY2002 Actuals				FY2003 Authorized				FY2004 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
Formula Expenditures	None.											
Non-Formula Expenditures												
Office of the Commissioner	677.7	0.0	734.2	1,411.9	2,476.7	1,942.3	11,087.5	15,506.5	707.7	0.0	242.2	949.9
Administrative Services	1,315.0	7,464.5	3,869.9	12,649.4	0.0	0.0	0.0	0.0	665.9	8,512.7	3,738.8	12,917.4
Workers' Compensation	715.4	0.0	5,680.6	6,396.0	0.0	0.0	0.0	0.0	0.0	0.0	7,287.9	7,287.9
Labor Standards and Safety	3,072.2	1,914.4	1,254.8	6,241.4	0.0	0.0	0.0	0.0	1,376.7	1,957.3	3,498.4	6,832.4
Employment Security	2,290.7	47,925.1	9,506.9	59,722.7	3,136.7	64,285.7	15,585.4	83,007.8	1,615.8	31,589.6	18,085.0	51,290.4
Business Partnerships	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	3,140.5	37,104.9	11,533.8	51,779.2
Vocational Rehabilitation	4,100.3	14,761.0	1,050.5	19,911.8	4,143.2	17,753.4	1,176.9	23,073.5	3,486.6	17,864.6	1,131.5	22,482.7
Totals	12,171.3	72,065.0	22,096.9	106,333.2	9,756.6	83,981.4	27,849.8	121,587.8	10,993.2	97,029.1	45,517.6	153,539.9

Funding Source Summary

All dollars in thousands

Funding Sources	FY2002 Actuals	FY2003 Authorized	FY2004 Governor
1002 Federal Receipts	72,065.0	83,981.4	97,029.1
1003 General Fund Match	3,037.4	2,734.8	2,447.9
1004 General Fund Receipts	8,218.7	6,853.7	8,455.7
1005 General Fund/Program Receipts	915.2	168.1	89.6
1007 Inter-Agency Receipts	9,323.6	11,242.8	24,719.3
1031 Second Injury Fund Reserve Account	3,141.6	3,177.6	3,180.9
1032 Fishermen's Fund	807.9	1,312.2	1,313.8
1049 Training and Building Fund	682.5	692.7	700.1
1054 State Employment & Training Program	5,041.8	5,256.8	5,634.1
1061 Capital Improvement Project Receipts	74.8	157.4	
1108 Statutory Designated Program Receipts	138.9	748.0	656.4
1117 Vocational Rehabilitation Small Business Enterprise Fund	357.9	365.0	365.0
1151 Technical Vocational Education Program Account			1,507.4
1156 Receipt Supported Services			1,821.4
1157 Workers Safety and Compensation Administration Account	2,527.9	3,621.5	4,029.6
1172 Building Safety Account		1,275.8	1,589.6
Totals	106,333.2	121,587.8	153,539.9

Position Summary

Funding Sources	FY2003 Authorized	FY2004 Governor
Permanent Full Time	847	886
Permanent Part Time	59	97
Non Permanent	7	3
Totals	913	986

FY2004 Capital Budget Request

Project Title	General Funds	Federal Funds	Other Funds	Total Funds
Unemployment Insurance Tax System Replacement	0	2,000,000	0	2,000,000
Electronic Data Interchange Expansion to the Workers' Compensation Computer System Phase 2	0	0	70,000	70,000
Employment Service Statewide Equipment Replacement	0	500,000	0	500,000
Department Total	0	2,500,000	70,000	2,570,000

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

Overview of Departmental Budget Changes

Governor Murkowski's Administrative Order No. 205 established the Division of Business Partnerships within the Department of Labor and Workforce Development. The Division of Business Partnerships is necessary for efficient administration and provides the tools needed for the Department to meet the mandates of the federal Workforce Investment Act of 1998.

The new division incorporates the Alaska Workforce Investment Office and a portion of Balance of State workforce staff budgeted in the Job Training Programs component, the Alaska Human Resources Investment Council component, and STEP funds budgeted in the Employment Services component.

OFFICE OF THE COMMISSIONER BRU

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) is being consolidated into the new Division's Workforce Investment Boards component as part of implementing Administrative Order No. 205.

ADMINISTRATIVE SERVICES BRU

The BRU provides management information and support services to the department, develops and distributes labor market and population information, and conducts labor force research. The division's support services include personnel, fiscal, publications, budget and data processing.

WORKERS' COMPENSATION BRU

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.

Changes included in this budget complete the conversion of the Workers' Compensation program from General Funds to fee based funding from the Workers Safety & Compensation Administration Account.

LABOR STANDARDS AND SAFETY BRU

This BRU provides enforcement, training and monitoring of the laws governing occupational safety and health, wage and hour, child labor and the safety of certain mechanical devices and hazardous substances.

Fund changes included in this budget complete the conversion of the Mechanical Inspection program from General Funds to fee based funding from the Building Safety Account.

Service Changes:

The Wage and Hour section is seeking operating efficiencies within the program. To that end, the department proposes a statutory change to generate revenue and streamline the activities required under AS 36. The proposed change eliminates the weekly submission of certified payrolls to the department for public contracts. In its place, contractors will submit an affidavit of compliance with prevailing wage laws at the beginning and end of a project, and include a fee with the submission.

EMPLOYMENT SECURITY BRU

This BRU assesses and collects Unemployment Insurance (UI) tax, pays UI benefits, operates a public labor exchange and provides adult basic education services.

Services Changes:

Parts of the Employment Services and Job Training Programs components were transferred to the new Division's Workforce Investment Boards and Business Services components as part of implementing Administrative Order No. 205.

The Employment Service component will develop a web accessible skills inventory program for Western Alaska.

The Unemployment Insurance component will implement Internet filing for registering new employers.

Adult Basic Education funding was reduced and it's estimated that approximately 85% or 7,476 of the current students will still be served in basic reading, writing and math instruction. This reduction will mean a proportional reduction in teachers providing direct instruction.

BUSINESS PARTNERSHIPS BRU

The Business Partnerships BRU is for the new Division of Business Partnerships established with Administrative Order No. 205. The Division provides policy planning, designs and implements training programs for the State Training and Employment Program (STEP) and is the grantee for all Workforce Investment Act federal grants.

Services Changes:

The Alaska Vocational Technical Center and the Kotzebue Technical Center were transferred from the Department of Education and Early Development to this department and will become components in this BRU.

VOCATIONAL REHABILITATION BRU

The BRU assists individuals with disabilities to obtain and maintain employment.

Service Changes:

The Independent Living Rehabilitation program received a reduction that eliminates the state supplement to the federal Independent Living program while maintaining full match funding to obtain all available Title VII, Part B federal funds. This will result in reductions to Independent Living Center staff, expenditures and services to clients with disabilities. It is estimated that the program will continue to serve 1,370 clients.

Summary of Department Budget Changes by BRU

From FY2003 Authorized to FY2004 Governor

All dollars shown in thousands

	<u>General Funds</u>	<u>Federal Funds</u>	<u>Other Funds</u>	<u>Total Funds</u>
FY2003 Authorized	9,756.6	83,981.4	27,849.8	121,587.8
Adjustments which will continue current level of service:				
-Office of the Commissioner	9.1	0.0	-745.2	-736.1
-Administrative Services	-208.3	77.7	245.2	114.6
-Workers' Compensation	-157.8	0.0	184.1	26.3
-Labor Standards and Safety	-137.7	15.0	174.6	51.9
-Employment Security	0.0	-36,368.1	-5,994.8	-42,362.9
-Business Partnerships	3,140.5	37,104.9	11,690.8	51,936.2
-Vocational Rehabilitation	0.1	111.2	2.0	113.3
Proposed budget decreases:				
-Office of the Commissioner	0.0	0.0	-82.4	-82.4
-Administrative Services	-434.0	0.0	-582.3	-1,016.3
-Workers' Compensation	-15.7	0.0	0.0	-15.7
-Labor Standards and Safety	-90.2	0.0	0.0	-90.2
-Employment Security	-212.7	0.0	-124.6	-337.3
-Business Partnerships	0.0	0.0	-157.0	-157.0
-Vocational Rehabilitation	-656.7	0.0	-145.1	-801.8
Proposed budget increases:				
-Administrative Services	0.0	7.0	0.0	7.0
-Workers' Compensation	0.0	0.0	167.8	167.8
-Labor Standards and Safety	0.0	0.0	242.1	242.1
-Employment Security	0.0	12,100.0	12,694.9	24,794.9
-Vocational Rehabilitation	0.0	0.0	97.7	97.7
FY2004 Governor	10,993.2	97,029.1	45,517.6	153,539.9