STATE OF ALASKA

Department of Labor and Workforce Development

OFFICE OF THE COMMISSIONER

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February 18, 2009

The Honorable Senator Gary Stevens
President of the Senate
State Capitol, Room 111
Juneau, Alaska 99801-1182

The Honorable Representative Mike Chenault
Speaker of the House
State Capitol, Room 208
Juneau, Alaska 99801-1182

Dear Senator Stevens and Representative Chenault:

Enclosed is a copy of the State Training and Employment Program (STEP) report which presents the findings of the STEP Task Force required by Chapter 46, SLA 2008.

The Task Force reached consensus that the STEP should be made permanent in statute, however they recommended the statute be changed to include financing and awarding grants to employers. They also suggested removing in statute a repayment clause and defining full employment. Specific recommendations were made to clarify the role of the Alaska Workforce Investment Board in providing program oversight and accountability. For changes to regulation and policy, the Task Force recommended that: regional occupational priorities are considered; an appeal process is established; administration and reporting improvements are made; the application for grant process is streamlined; and performance measures are updated. The Task Force will continue to convene in implementing recommendations to applicable regulations, policy and procedures.

If you have questions about the report, please contact me at (907) 465-2700.

Sincerely,

David G. Stone
Deputy Commissioner
STEP Task Force Co-Chair

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Alaska Department of Labor and Workforce Development
Findings and Recommendations for the State Training and Employment Program
Task Force Report to the 26th Alaska Legislature
February 18, 2009

Background

Chapter 46, SLA – 08 on May 18, 2008, which extends the State Training and Employment Program (STEP) to June 30, 2010, requires a review of the program as follows:

> "The department shall work with representatives of entities who are eligible to submit a grant application under AS 23.15.620 - 23.15.660 and who provide industry-specific training, on-the-job training, institutional training, classroom job-linked training, and employment assistance to conduct a review of the priorities and procedures of the state training and employment program. The group of entities involved in the review must include representatives from organized labor and representatives that are not from organized labor. Following the review, the department shall publish a written report containing its findings and recommendations, including changes, if any, that it recommends be made to state statute and the department's regulations. The department shall deliver the report to the president of the senate and the speaker of the House of Representatives, and publish a summary of the recommendations made in the report on the Alaska Online Public Notice System (AS 44.62.175), on or before the 30th day of each regular legislative session of the Twenty-Sixth Alaska State Legislature."

This report presents the findings of the STEP Task Force appointed by Department of Labor and Workforce Development Commissioner Bishop in response to this requirement.

Synopsis of STEP Task Force Activity

The Task Force (Attachment A, STEP Task Force Membership) began meeting in March 2008 and continues both in a series of teleconferences and in-person meetings. All meetings have been supported with agendas and facilitated with staff support from the department, the Alaska Workforce Investment Board (AWIB), and with support from the Office of the Attorney General. Notes and documentation of the meetings are available.

The STEP Task Force developed the following recommendations for changes to statute. Following its work on the statutory recommendations, the STEP Task Force will commence consideration of regulation and policy for the STEP. There was considerable discussion regarding changing the purpose of the STEP which began as a pilot program in 1989, but there was ultimately consensus to maintain the current purpose as specified in statute connected to Unemployment Insurance.

There was consensus by the STEP Task Force to make the STEP permanent. The following are their recommendations to the changes in statute some of which were clarified by the department that could be addressed by either a policy and/or regulation change.

Recommended Changes to Statute

- AS 23.15.350 currently reads "There is created in the department a program to finance and award grants to employment assistance and training entities. Employment assistance and training entities shall give appropriate state agencies full access to accounting records concerning grants received to assure compliance with program standards." The STEP Task Force recommendation is to have the statute read "There is created in the department a program to finance and award grants to employers, employment assistance and training entities."

- AS 23.15.635 currently reads "Within the limits of its grant, an employment assistance and training entity receiving a grant under AS 23.15.651 shall provide services set out in AS 23.15.640(a) to state residents who, immediately before beginning training or receiving benefits under a grant financed by this program,
    - (2) are unemployed, but liable to be displaced within the next six months…" The STEP Task Force recommendation is to remove the section "within the next six months" in the applicable statute.
    - (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 they are underemployed, they are in need of employment assistance and training to obtain full employment." The STEP Task Force recommendation is to replace this section with "at least the average annual wage as determined under the applicable under 8 AAC 87.110 (REGULATION)."

- There was discussion of striking AS 23.15.640(c) which requires repayment of the amount received by an individual participating in a program funded by a STEP grant for tools, work-related clothing, safety gear, or other necessities to obtain or retain employment. Consensus was achieved to have this provision removed as it is difficult to administer and collect repayment. The STEP Task Force recommendation is to delete the requirement of repayment in the applicable statute.

- AS 23.15.645(a) currently reads "The department shall award a grant to the board to (1) administer a state training and employment program; and (2) award grants to qualified entities." There appeared to be interest from the STEP Task Force in clarifying the role of the AWIB in the STEP program, to provide oversight and improve accountability in statute.

- The STEP Task Force recommends revisions to the applicable STEP statute to define the duties and powers of the department and board in Section IV of the Proposed Changes to STEP Statutes. The revisions include the following:

  - The department shall develop and the board shall annually approve a priority list of targeted projects, services, and persons served.

  - The department and board shall consider giving preference to projects and services that train or assist individuals in vocations, businesses or industries identified in the resident hire report required under AS 36.10.130 as employing a disproportionate percentage of nonresidents.

  - The board shall make recommendations to the department regarding the award of grants to eligible employers, employment assistance, and training entities.

  - The department may provide funds to the board for purposes of assisting in the evaluation and award of grants under the program.

  - The department shall promulgate and the AWIB shall adopt regulations governing the allocation and accountability of funds provided and implemented through this program.

<u>Comments and Recommended Changes for Regulation or Policy</u>

- The STEP Task Force felt regional representation was an important consideration. Regional Advisory Councils could forward occupational priorities and provide input from local businesses to the AWIB. Loss of regional control and decision-making has affected service delivery. The recommendation

of the STEP Task Force is for the AWIB to utilize input from Regional Advisory Councils in the review of STEP grant applications.

- The STEP Task Force supports a recommendation for the incorporation of an appeals process for the STEP program in the applicable statute. Policy and regulation can be developed for the administration of the statutory appeals process.

- The STEP Task Force supports the improvement of administration and reporting for the STEP program, as the current reporting requirements are cumbersome and difficult. There was interest from the STEP Task Force to participate in the development of and provide recommendations for a new Management Information System (MIS). The Task Force is interested in support for funding for a new reporting system to upgrade the MIS. The statute should require that improvements be made to the reporting requirements, but the actual improvements can be made explicit by incorporating changes in regulation or policy.

- The STEP Task Force recommended that improvements be made to the application process for the STEP program, as the application process is cumbersome and needs to be updated. The STEP Task Force felt eligibility requirements need to be reviewed and there should be different tiers for STEP funding. Through a tiered approach to STEP, funds can be set aside for small businesses that require assistance in providing training to its employees with streamlined grant application and administrative procedures. Larger, more complex workforce improvement plans will have a different level of reporting requirements and oversight. The statute should reference tiers, but the department can recommend that it be incorporated in regulation or policy.

- The applicable statute currently allows the AWIB to set performance measures and outcomes for the STEP, including the amount charged for administrative costs. Performance measures for STEP grant recipients can be developed by the AWIB incorporating changes in regulation or policy.

Attachment A – STEP Task Force Membership Roster

Ginger Blaisdell, Senate President's Office

Diana Cartier, Alaska Operating Engineers/Employers Training

Krista Gonder, Northern Industrial Training

John Hakala, US Department of Labor, Office of Apprenticeship Training

Linda Hulbert, AWIB Member, New York Life Insurance Company

Eden Larson, Klebs Mechanical, Inc.

Tom Minder, Alaska Joint Electrical Apprenticeship & Training

Bo Underwood, ASRC Energy Services

Fred Villa, AWIB Member, University of Alaska

Doug Ward, AWIB Member, Alaska Ship and Dry Dock

Staff Roster

Greg Cashen, AWIB Executive Director, DOLWD*
Corine Geldhof, Director, Division of Business Partnerships, DOLWD
Jeff Hadland, Senior Economist, DOLWD
Larry McKinstry, Assistant Attorney General, AK Department of Law
Tom Nelson, Director, Employment Security Division, DOLWD
Christine Sanderford, Program Lead, Division of Business Partnerships, DOLWD
David Stone, Deputy Commissioner, DOLWD

*DOLWD – Alaska Department of Labor and Workforce Development