

ALASKA ECONOMIC TRENDS

OCTOBER 2006

Local Government Alaska's largest employer

WHAT'S INSIDE

Employment Scene
Job count unchanged in August



ALASKA DEPARTMENT OF LABOR
& WORKFORCE DEVELOPMENT

Frank H. Murkowski, Governor
Greg O'Claray, Commissioner

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ALASKA DEPARTMENT OF LABOR
& WORKFORCE DEVELOPMENT

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Cover:
Firefighter/paramedic Roy Johnston (left) and Ed Quinto, a fire captain, work for the City and Borough of Juneau's Capital City Fire/Rescue. They're shown here in an August 2005 photo. Photo by David Gelotte

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Local Government is a Big Industry and a Big Employer

By Governor Frank H. Murkowski

In the August issue of *Trends*, we reviewed the top 100 employers in Alaska and it was little surprise that Providence Health Systems topped the list for the fifth straight year. When we think in terms of our state's largest employers, the names of Providence, Fred Meyer, Wal-Mart, Alaska Airlines and Carrs/Safeway naturally come to mind. Few would consider local government as a major player.

While many people might not think of local government as an industry, its role and economic impact on Alaska's communities are substantial. As you'll see in this month's lead article, local government creates thousands of jobs in a wide variety of occupations and its employees provide essential services to virtually everyone in the state. In many areas in Alaska, local government is often one of the main employers – sometimes, it's the only major employer.

In Alaska, more than 40,000 jobs are generated by local government, making it the state's single largest "industry employer." Alaska has 146 incorporated cities, 16 boroughs, 229 federally recognized tribal governments, one Indian reservation and 53 school districts. What they do affects almost all Alaskans in some way. They provide a whole spectrum of services, ranging from K-12 education, public safety, health care and social services to city planning, utilities and road maintenance.

Education represents the largest slice of local government, both from a budgetary and employment standpoint. More than half of all employment in local government, 56 percent, is tied to education. Teachers and their aides represent the single largest group – a third of all local government employment. Many of the other jobs are also tied to education, including janitors, crossing guards, counselors, cooks and administrators. Of the state's 53 school districts, Anchorage's is the largest with an average daily enrollment of 49,320, compared to Pelican City's average count of 14.

This is just a glimpse of the comprehensive overview of local government included in this issue of *Trends*. The detailed discussion really puts into perspective the vital role this industry plays in the every day lives of all Alaskans.

Alaska's largest employer

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Local government is big and it's often the largest employer in an area

In 2005, local government's average monthly employment was 40,200, which represents 14

percent of all wage and salary employment in the state.¹ (See Exhibit 1.) Local government workers earned nearly \$1.4 billion in 2005, or roughly 11 percent of the state's entire \$12 billion payroll.

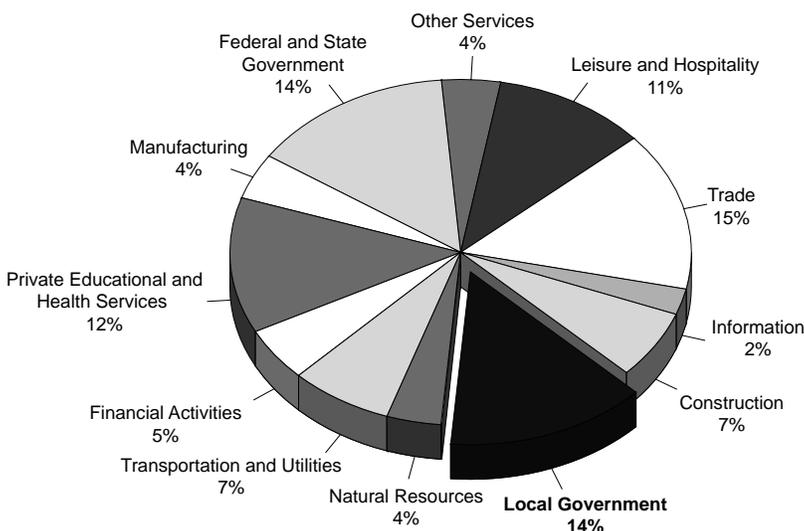
It's not uncommon that a local government entity represents the single largest employer in a community. In some small communities and villages, local government jobs may represent nearly all the wage and salary employment because nongovernment jobs are scarce. In the Lake and Peninsula Borough, and the Yukon-Koyukuk and Wade Hampton census areas, for instance, more than half the wage and salary work force is tied to local government. (See Exhibits 2 and 3.)

It's understandable that local government makes up a larger share of total employment in rural parts of the state than in more urban places. But even in Anchorage, the Anchorage School District is the single largest employer and it's closely followed by the Municipality of Anchorage – the city's third largest employer. Both are on the list of the top 10 largest employers in the state.²

It certainly hasn't been the growth industry

Over the past decade, local government has grown much more slowly (7 percent) than the overall work force (19 percent). (See Exhibit 4.) There are number of reasons for this sluggish growth. For one, the state's population has

1 Local Government's Share Alaska's wage and salary employment, 2005



¹ The year 2005 is the most recent complete year for which data are currently available.

² For the list, see Exhibit 8 of the Trends 100 article in the August 2006 Trends.

Source: Alaska Department of Labor & Workforce Development, Research and Analysis Section

grown relatively slowly over the past decade and public school enrollment growth has also been rather flat.

Changes in local government's revenue might also explain the slow growth. The state's revenue sharing program, which helped pay for local government, peaked at \$145 million in 1985 and then began to fall steeply until it was eliminated altogether in 2004. Rising pension liabilities and health care costs are placing additional burdens on local governments. And more recently, escalating energy costs have hit the state's communities hard.

Alaska spends \$4,187 per capita on local government

According to the U.S. Census Bureau, Alaska spent roughly \$3.1 billion – \$4,178 per person – on local government in 2002³ (see Exhibit 5), putting Alaska in fourth place in the nation, behind New York, Wyoming and California. According to the same figures, Alaska spends about 17 percent more per capita than the national average. This isn't surprising given the higher costs of doing business in Alaska, particularly in rural areas. Local government's slice of Alaska's employment pie is also a bit larger than the national average – 14 percent versus 11 percent for the nation.

All kinds of jobs exist in local government

Local government employs a wide range of occupations requiring all levels and kinds of skills. (See Exhibit 6.) Not surprisingly, teachers and their aides represent the single largest group – a third of all local government employment. Many of the other jobs are also tied to education, including janitors, crossing guards,

³ The year 2002 is the most recent year for which data are available.

Local Government Employment by Area

By borough and census area, 2005



	Total Local Government Employment 2005	Total Employment 2005	Local Government's Share of Area's Total Employment 2005	Local Government Payroll 2005
Statewide	38,182	307,757	12.4%	\$1,337,167,394
Aleutians East Borough	246	1,835	13.4%	\$6,559,247
Aleutians West Census Area	508	3,844	13.2%	\$17,889,403
Anchorage, Municipality of	10,015	144,382	6.9%	\$459,616,785
Bethel Census Area	2,730	6,926	39.4%	\$64,028,800
Bristol Bay Borough	155	315	49.2%	\$5,521,271
Denali Borough	146	2,202	6.6%	\$3,801,808
Dillingham Census Area	822	2,488	33.0%	\$21,251,341
Fairbanks North Star Borough	3,002	37,898	7.9%	\$111,543,416
Haines Borough	139	1,050	13.2%	\$3,588,733
Juneau, City and Borough of	2,156	17,644	12.2%	\$85,751,932
Kenai Peninsula Borough	3,136	18,075	17.3%	\$123,089,815
Ketchikan Gateway Borough	1,048	6,957	15.1%	\$41,806,318
Kodiak Island Borough	821	5,381	15.3%	\$26,065,960
Lake and Peninsula Borough	390	710	54.9%	\$7,679,468
Matanuska-Susitna Borough	2,457	17,216	14.3%	\$92,852,947
Nome Census Area	1,396	3,700	37.7%	\$34,748,210
North Slope Borough	1,610	9,215	17.5%	\$71,050,818
Northwest Arctic Borough	1,111	2,996	37.1%	\$29,665,895
Prince of Wales-Outer Ketchikan CA	693	2,033	34.1%	\$21,608,562
Sitka, City and Borough of	641	4,418	14.5%	\$21,966,366
Skagway-Hoonah-Angoon CA	358	1,569	22.8%	\$8,986,171
Southeast Fairbanks Census Area	317	2,410	13.2%	\$9,917,138
Valdez-Cordova Census Area	853	4,733	18.0%	\$27,775,240
Wade Hampton Census Area	1,408	2,188	64.4%	\$25,024,287
Wrangell-Petersburg Census Area	642	2,575	24.9%	\$42,705,926
Yakutat, City and Borough of	95	333	28.5%	\$2,436,757
Yukon-Koyukuk Census Area	1,289	2,464	52.3%	\$32,200,597

Source: Alaska Department of Labor & Workforce Development, Research and Analysis Section

counselors, cooks and administrators. Some of the common occupations not linked to education include laborers, police officers, office clerks, nurses, bookkeepers, water and sewage treatment plant operators, and firefighters. The requirements for these jobs run the gamut from little or no training to professional degrees.

Wages lag in local government

The average annual earnings for local government in 2005 were \$36,076 – 10 percent below the overall average earnings for all jobs in Alaska. (See Exhibit 7.) This wasn't always the case. As recently as 1999, the average earnings for local government were higher than the over-

3 The 50 Largest Local government entities in Alaska, 2005

Rank		Annual Average Employment 2005	Annual Payroll 2005
1	Anchorage School District	6,539	\$284,949,386
2	Municipality of Anchorage	3,013	\$160,482,121
3	Fairbanks North Star Borough School District	2,128	\$76,970,296
4	Matanuska-Susitna Borough School District	1,872	\$72,987,952
5	Kenai Peninsula Borough School District	1,286	\$52,939,400
6	Northwest Arctic Borough School District	1,173	\$42,711,551
7	Lower Kuskokwim School District	1,062	\$34,453,961
8	Juneau School District	720	\$30,591,810
9	North Slope Borough	718	\$39,527,193
10	City and Borough of Juneau	662	\$26,045,239
11	Lower Yukon School District	581	\$13,116,598
12	Bering Strait School District	556	\$16,487,735
13	Kodiak Island Borough School District	441	\$15,971,489
14	Fairbanks North Star Borough	437	\$18,195,543
15	Bartlett Regional Hospital	412	\$18,777,388
16	Central Peninsula General Hospital	405	\$18,983,739
17	Kenai Peninsula Borough	388	\$15,599,534
18	City of Ketchikan	346	\$17,201,525
19	Ketchikan Gateway Borough School District	325	\$13,843,880
20	Matanuska-Susitna Borough	313	\$11,010,927
21	South Peninsula Hospital	256	\$10,199,672
22	Sitka School District	241	\$8,276,278
23	Central Council Tlingit & Haida Indian Tribes of Alaska	219	\$8,424,487
24	Southwest Region School District	218	\$6,639,575
25	Metlakatla Indian Community	216	\$7,664,030
26	Galena City School District	207	\$8,257,165
27	City of Fairbanks	181	\$11,819,112
28	City and Borough of Sitka	179	\$7,429,627
29	City of Unalaska	178	\$9,075,966
30	Yukon-Koyukuk School District	171	\$5,869,231
31	Lake and Peninsula School District	168	\$5,286,952
32	City of Kodiak	159	\$5,600,240
33	Ketchikan Gateway Borough	159	\$5,353,058
34	Delta/Greely School District	141	\$5,336,854
35	Valdez City School District	138	\$6,252,127
36	Ketchikan Indian Corporation	138	\$4,755,155
37	Kuspuk School District	137	\$4,293,080
38	City of Valdez	136	\$5,495,562
39	City of Wasilla	129	\$4,237,447
40	Copper River School District	123	\$3,623,540
41	Yukon Flats School District	122	\$3,007,028
42	Alaska Gateway School District	118	\$3,369,400
43	Sitka Community Hospital	116	\$4,254,979
44	Yupit School District	116	\$4,197,649
45	City of Kenai	115	\$5,519,126
46	City of Bethel	114	\$5,156,189
47	City of Homer	110	\$5,377,725
48	City of Petersburg	107	\$3,709,192
49	City of Seward	106	\$4,073,403
50	Kenaitze Indian Tribe	104	\$3,480,801

Source: Alaska Department of Labor & Workforce Development, Research and Analysis Section

all average for all jobs. But for many years, wage growth in local government has lagged behind most other industries. After adjusting for inflation, local government's average monthly earnings have fallen from \$3,809 in 1994 to \$3,006 in 2005.

Education dominates local government

Education represents the largest slice of local government both from a budgetary and employment standpoint. More than half of all employment in local government (56 percent) is tied to education. (See Exhibit 8.) The remainder includes tribal government (10 percent) and the rest of local government (34 percent), which includes the cities and boroughs around the state. A more detailed discussion of the educational side will follow later in this article.

Cities, boroughs and tribal government employ a lot of Alaskans

Together, noneducational entities employ about 17,800 workers, or 44 percent of all local government employees. Unlike the rest of the nation, Alaska isn't entirely organized at the regional level into counties (or in Alaska's case, boroughs, the equivalent of counties). While roughly 87 percent of Alaskans live in the state's 16 organized boroughs, the boroughs cover only 43 percent of Alaska's geographic area. The area outside the boroughs is divided into 11 census areas, which are areas designated by the U.S. Census Bureau. There is no census-area-level of local government.

Some Alaska communities have borough, city and tribal governments that overlap. For instance, Barrow residents live in the North Slope Borough, the City of Barrow and the Barrow Native Village – and all three entities have employees.

Other communities have a variation of the three – a borough government and a city government (the Kenai Peninsula Borough and the City of Homer, for example), a city government and a tribal government (the City of Allakaket and Allakaket Village), only a tribal government (the Native Village of Chitina) or no government below the state level (Chicken and Hollis).

There are only three places in the state with a unified local government – Sitka, Anchorage and Juneau.

Tribal government's role

In 2001, the Alaska Department of Labor & Workforce Development began counting tribal government employment as part of local government as a result of federal legislation mandating the change. Prior to 2001, tribal government employment was counted as part of the private sector.

Some examples of those in the tribal government category include the Hoonah Indian Association, New Koliganek Village Council, Native Village of Kotzebue and Central Council of the Tlingit & Haida Indian Tribes.

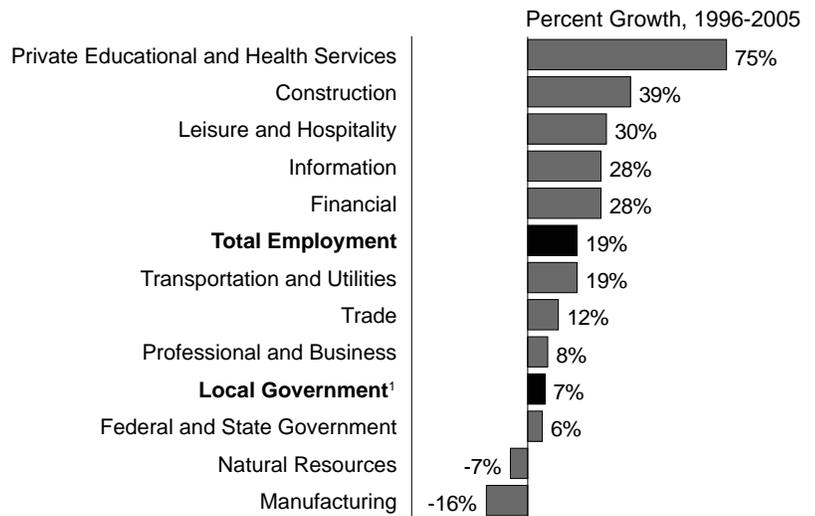
Unlike most other local government, nearly all tribal government revenue and power comes from the federal government. Generally speaking, they have different powers and perform different functions than local municipalities. Tribal governments tend to be very involved in providing their members with health care and housing services but they also often deliver social services, public safety and environmental services such as sewer and water projects.

When both tribal and city governments operate in the same area, they often work together, particularly as funding has tightened for small city governments. There are also a growing number of cases where tribal governments have taken on most of the functions of a local city government. And in places without a city government, tribal government is often the only governmental entity.

Health care is a big player

Among the largest noneducational local government employers are eight municipality-owned hospitals. Hospitals by nature are labor-intensive institutions. Altogether, the eight employed more than 1,400 workers in 2005. Some of the eight include Bartlett Regional Hospital in Juneau, Central Peninsula General Hospital in Soldotna and Sitka Community Hospital. Most are run by independent boards, sometimes with

Local Government Growth is Slow **4** Alaska employment, 1996-2005



¹ Excludes tribal governments

Source: Alaska Department of Labor & Workforce Development, Research and Analysis Section

a private contractor running the day-to-day operations. Their employees are therefore not receiving their paychecks from the local borough or city, but their employment is accounted for in local government because the eight are owned by a local borough or city.

Property taxes are the single largest source of revenue

Nearly all of Alaska's local governments generate some of their own revenue, and for many local governments, most of their revenue comes from taxes.

According to the state's Local Boundary Commission, most Alaska residents pay some kind of tax or user fee to local governments. Local governments get their local revenue from sales and property taxes, utilities they own and a variety of special taxes and specific user fees.

Property taxes make up the lion's share (60 percent), then oil and gas taxes (20 percent), sales taxes (15 percent) and special taxes (5 percent).⁴ The mixture of tax collections can vary dramatically for individual communities. For example,

⁴ These percentages exclude education and tribal governments.

5 Spending on Local Government

What states spend per capita, 2002¹

Rank		Per Capita
1	New York	\$5,489
2	Wyoming	\$4,798
3	California	\$4,566
4	Alaska	\$4,178
5	Minnesota	\$3,925
6	New Jersey	\$3,699
7	Nevada	\$3,691
8	Colorado	\$3,589
9	Wisconsin	\$3,586
	National Average	\$3,576
10	Ohio	\$3,531
11	Washington	\$3,504
12	Oregon	\$3,443
13	Michigan	\$3,399
14	Illinois	\$3,375
15	Florida	\$3,292
16	Massachusetts	\$3,256
17	Maryland	\$3,239
18	Georgia	\$3,149
19	Kansas	\$3,123
20	Pennsylvania	\$3,123
21	Nebraska	\$3,121
22	Iowa	\$3,105
23	Connecticut	\$3,087
24	Arizona	\$3,024
25	Indiana	\$3,011
26	Texas	\$2,985
27	Virginia	\$2,982
28	North Carolina	\$2,961
29	Louisiana	\$2,826
30	Alabama	\$2,788
31	New Mexico	\$2,788
32	Idaho	\$2,754
33	Maine	\$2,727
34	New Hampshire	\$2,701
35	Missouri	\$2,678
36	South Carolina	\$2,659
37	North Dakota	\$2,654
38	Utah	\$2,595
39	Mississippi	\$2,579
40	Rhode Island	\$2,535
41	Tennessee	\$2,476
42	Vermont	\$2,452
43	Montana	\$2,439
44	Oklahoma	\$2,423
45	South Dakota	\$2,384
46	Delaware	\$2,343
47	Kentucky	\$2,134
48	Arkansas	\$2,103
49	West Virginia	\$2,096
50	Hawaii	\$1,243

¹ The year 2002 is the most recent year per capita data are available.

Source: U.S. Census Bureau, "State and Local Government Finances, 2002 Census of Governments."

the North Slope Borough generates nearly all its tax revenue from oil and gas property taxes. In 2005, the borough received \$189 million, or nearly \$27,000 per person, from oil and gas property taxes.

The City of Unalaska collected \$4 million in property taxes, nearly the same amount in raw fish taxes and \$7.6 million in sales taxes, which combined represents 35 percent of its 2005 revenue. The City of Wasilla's largest revenue source is sales taxes, which are roughly 66 percent of the city's operating revenue. In fact, Wasilla's sales tax has grown so rapidly that the city set its property mil rate at zero for fiscal years 2007 through 2009.

A closer look at school districts

Alaska has 53 school districts of vastly different sizes. The largest school district is Anchorage's with an average daily enrollment of 49,320; the smallest is the Pelican City School District, which has one school and an average count of 14 students.

There are 23 charter schools in Alaska and 10 statewide correspondence schools; two of the latter are also charter schools. About 6,550 students were subscribers of the state's 10 correspondence schools during the 2005-2006 school year, and more were enrolled in district-designed correspondence programs. In all, roughly 10,100 students received instruction outside traditional classroom settings that year.

Counting students, population and employment

In this article, all numbers used for school district enrollments, or student counts, are an average of the daily enrollment numbers for 20 days in the latter part of October for each year. Those numbers often differ from Oct. 1 enrollment numbers, which aren't cited in this article.

Alaska population estimates, which help school districts plan for future enrollments, reflect a demographic profile as of July 1 of each year. School-age population numbers (for ages 5 to 18) don't match actual enrollment numbers

because not all 5-year-olds attend school and some 18-year-olds have already graduated. Additional reasons for the discrepancies include the different count dates (October versus July), net-migration, private school student counts (3,400 in the 2005-2006 school year) and the number of home-schooled students.

To show annual employment changes, April staff levels are used in this article due to the high seasonality in school district employment caused by the summer break and other vacations.

Statewide average daily enrollment has dropped

Enrollment in Alaska's K-12 schools rose steadily until 1999, when it peaked with a count of 132,597. Since then, it has dropped to 130,868 in 2006. (See Exhibit 9.) Alaska's population has grown continuously, but its school-age population has fallen. Falling birth rates, low in-migration and the military cutbacks of the mid-1990s account for the lack of growth in the school-age population.

This trend may be coming to an end. Alaska's school-age population is now expected to increase slightly from the 2005 level of 151,663 to 153,120 by 2009. (See Exhibit 9.)

Big shifts are occurring geographically

Between fiscal years 2001 and 2006,⁵ average enrollment in Alaska's schools fell by more than 1,050 students, representing a nearly 1 percent decline. While the number of students grew by about 5 percent in the Anchorage/Mat-Su economic region and marginally (less than 1 percent) in the Southwest region, student counts registered losses in the Northern, Gulf Coast and Southeast regions. (See Exhibit 10.)

The Anchorage/Mat-Su region

The Anchorage/Mat-Su economic region's geography principally encompasses the Municipality of Anchorage and the Matanuska-Susitna Borough. Between 2000 and 2005, the growth in

Top 50 Local Government Occupations Alaska, 2005

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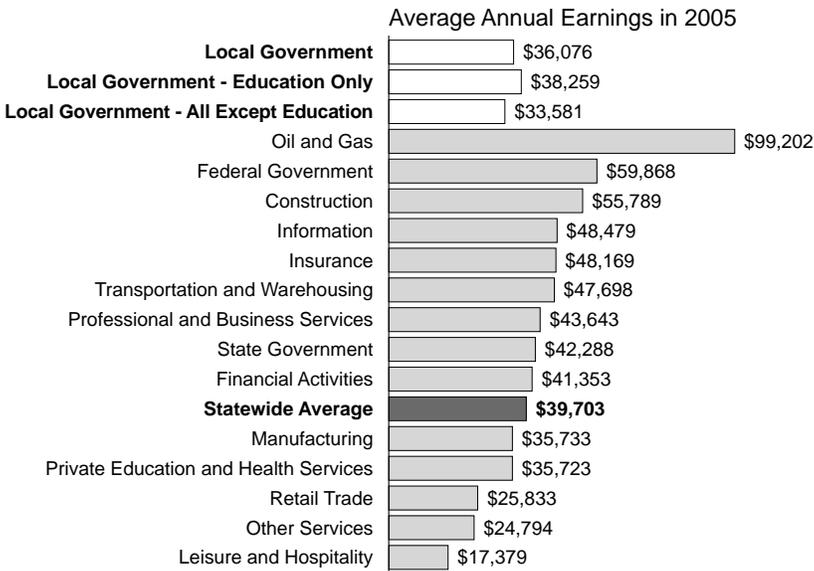
2005
Employment

Elementary school teachers (except special education)	4,046
Teacher assistants	3,776
Teachers and instructors, all other	2,621
Secondary school teachers (except special and vocational education)	2,387
Janitors and cleaners (except maids and housekeeping cleaners)	2,052
Special education teacher assistants	1,055
Laborers and freight, stock and material movers, hand	1,032
Executive secretaries and administrative assistants	999
Secretaries (except legal, medical and executive)	959
Police and sheriff's patrol officers	953
Office clerks, general	897
Maintenance and repair workers, general	857
Middle school teachers (except special and vocational education)	727
Construction laborers	723
Registered nurses	597
Special education teachers, preschool, kindergarten and elementary school	594
Special education teachers, secondary school	585
Education administrators, elementary and secondary school	581
Office and administrative support workers, all other	559
Bookkeeping, accounting and auditing clerks	491
Recreation workers	458
Substitutes, teachers and instructors, multi-level (except post-secondary)	431
Education, training, and library workers, all other	425
Water and liquid waste treatment plant and system operators	395
Firefighters	379
Crossing guards	374
Managers, all other	354
Educational, vocational and school counselors	351
Administrative services managers	325
General and operations managers	319
Landscaping and grounds keeping workers	308
Food preparation workers	287
Information and record clerks, all other	283
Lifeguards, ski patrol and other recreational protective service workers	277
Librarians	273
Library assistants, clerical	270
Preschool teachers (except special education)	268
Carpenters	257
Refuse and recyclable material collectors	257
Gaming and sports book writers and runners	256
Receptionists and information clerks	253
Cooks, institution and cafeteria	250
Cashiers	242
Operating engineers and other construction equipment operators	241
Police, fire and ambulance dispatchers	237
Power plant operators	236
Chief executives	231
Nursing aides, orderlies and attendants	208
Cooks, all other	205
Bus drivers, school	201

Source: Alaska Department of Labor & Workforce Development, Research and Analysis Section

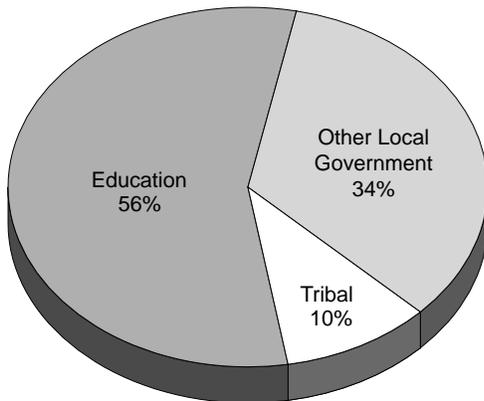
⁵ The fiscal year for Alaska schools begins July 1. The 2006 fiscal year is July 1, 2005, to June 30, 2006.

7 An Earnings Comparison Local government vs. other industries, 2005



Source: Alaska Department of Labor & Workforce Development, Research and Analysis Section

8 Education is the Dominant Player Local government employment, 2005



Source: Alaska Department of Labor & Workforce Development, Research and Analysis Section

the Mat-Su Borough's population and average school enrollment has been spectacular. The population grew by nearly 25 percent and enrollment increased by over 21 percent.

Yet during the past five years, Anchorage's growth has been much more moderate: its population increased by 7 percent but its student count barely changed, mustering less than 1 percent growth. Employment in the Anchorage/Mat-Su region's schools rose by 9 percent between April 2000 and April 2005.

The Southwest region

Enrollment in Southwest Alaska grew between fiscal years 2001 and 2006 – but only barely. In all, the entire region grew by just 80 students. Six of the region's 13 school districts recorded small increases.

The Southwest region's overall population has grown very little – less than 2 percent – during the last five years and the region's school district employment increased by 5 percent.

Population losses in some of the Southwest region's remote areas can be attributed to the economic decline of fisheries. Growth in the student-age population was concentrated in the Yukon-Kuskokwim region, which consists of the Bethel and Wade Hampton census areas. That area's population growth remained positive and more than offset the declines elsewhere.

The Northern region

Net out-migration in the Northern economic region exceeded natural population growth between 2000 and 2005, which resulted in a loss of 120 residents. Nearly all the decline can be attributed to people moving out of the North Slope Borough. The borough's net migration meant a loss of 1,168 residents, whereas natural increase added 677.

Positive but small population growth in the Nome Census Area and the Northwest Arctic Borough mitigated some of the Northern region's population losses. But in all four school districts, the October average enrollment fell by a total 653 students between fiscal years 2001 and 2006. The nearly 10 percent decline was the biggest drop in regional school enrollment in the state.

Employment in the Northern region's school districts, however, rose by 8 percent between April 2000 and April 2005.

The Southeast region

The least favorable change in absolute numbers occurred in the Southeast region's school districts where 1,095 fewer students were enrolled

in fiscal year 2006 compared to fiscal year 2001. Sixteen of the region's 17 school districts had declines in the number of students. Craig City School District, which runs a statewide correspondence school program, was the only district that had an increase.

The student decline correlates with Southeast's overall population trend, which shows a roughly 3 percent drop between 2000 and 2005. In contrast, regional school district employment numbers went up 3 percent between April 2000 and April 2005. (Mt. Edgecumbe High School, a statewide boarding school, isn't included in these numbers because it's not a part of local government.)

The Gulf Coast region

Lower average student counts were also recorded for all but one school district in the Gulf Coast region. Altogether, the region lost 744 students between fiscal years 2001 and 2006. The exception was the Chugach School District, which operates a statewide correspondence school. The Kenai Peninsula Borough suffered the biggest loss – 558 students, about a 7 percent drop – during the same period, but the impact was greater in the smaller Copper River School District. It lost 80 students, a roughly 12 percent drop.

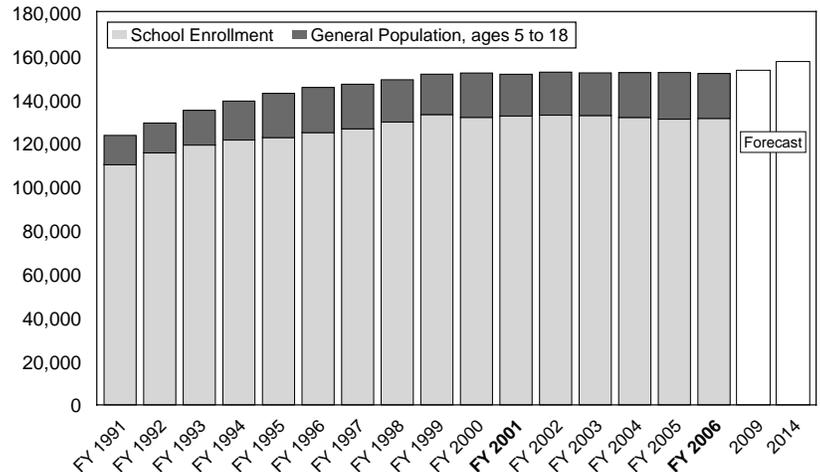
The Gulf Coast region's population registered a small gain between 2000 and 2005, but only because of an increase the Kenai Peninsula Borough's newborn and toddler population. Natural increase more than absorbed population losses stemming from out-migration.

The Kodiak Island Borough and the Valdez-Cordova Census Area both lost population and students. The economic mainstay of the two areas – fishing – hasn't made a significant recovery from its long-lasting downturn. Consequently, employment in the Gulf Coast region's school districts fell by 5 percent between April 2000 and April 2005.

The Interior region

Seven of the Interior region's 10 school districts operate fairly large correspondence school

Enrollment/
Population



Note: Population estimates and enrollment numbers refer to the start of school fiscal year. For example, fiscal year 1991 reflects October 1990 enrollment and the population estimate of July 1, 1990.

Source: Alaska Department of Education and Early Development and Alaska Department of Labor & Workforce Development, Research and Analysis

programs. There were 5,944 students in the programs in fiscal year 2006, a number that has increased 13 percent since fiscal year 2001. (Many students throughout Alaska participate in correspondence programs at specific Interior school districts via the Internet.)

When factoring in the correspondence students, the Interior's school districts had a decline of 486 students – a 2 percent drop – between fiscal years 2001 and 2006. Without the correspondence students, the decline would have been much greater – 1,000 students, representing a more than 5 percent decline.

The region's downward trend is due to out-migration from the Fairbanks North Star Borough and the vast Yukon-Koyukuk Census Area. The extended deployment status of Fairbanks' Stryker Brigade and other factors may have contributed as well.

Population, however, has been slowly increasing by nearly 5 percent over the past five years, yet the positive change is very recent. The Fairbanks North Star Borough and the Southeast

10 Changes in School Enrollments 2005¹

School District Headquarters	FY 2001	FY 2006	Change FY 2001 to FY 2006	Percent Change FY 2001 to FY 2006
Anchorage/Mat-Su Region	61,608	64,758	3,150	5.1%
Anchorage School District	48,856	49,320	464	0.9%
Matanuska-Susitna Borough School District	12,752	15,438	2,686	21.1%
Gulf Coast Region	14,919	14,175	-744	-5.0%
Chugach School District	167	214	47	28.1%
Copper River School District	690	610	-80	-11.6%
Cordova School District	476	447	-29	-6.1%
Kenai Peninsula Borough School District	9,947	9,389	-558	-5.6%
Kodiak Island Borough School District	2,774	2,718	-56	-2.0%
Valdez City School District	865	797	-68	-7.9%
Interior Region	23,856	23,370	-486	-2.0%
Alaska Gateway School District ²	481	412	-69	-14.3%
Delta/Greely School District	802	1,261	459	57.2%
Denali Borough School District	313	634	321	102.6%
Fairbanks North Star Borough School District	15,547	14,509	-1,038	-6.7%
Galena City School District	3,374	3,639	265	7.9%
Iditarod Area School District ³	639	331	-308	-48.2%
Nenana City School District	1,828	686	-1,142	-62.5%
Tanana School District	80	67	-13	-16.3%
Yukon Flats School District	307	270	-37	-12.1%
Yukon-Koyukuk School District	485	1,561	1,076	221.9%
Northern Region	6,834	6,181	-653	-9.6%
Bering Strait School District	1,760	1,668	-92	-5.2%
Nome Public Schools	777	768	-9	-1.2%
North Slope Borough School District	2,094	1,726	-368	-17.6%
Northwest Arctic Borough School District	2,203	2,019	-184	-8.4%
Southeast Region	13,573	12,478	-1,095	-8.1%
Annette Islands School District	326	291	-35	-10.7%
Chatham School District	248	204	-44	-17.7%
Craig City School District	516	766	250	48.4%
Haines Borough School District	407	291	-116	-28.5%
Hoonah City School District	227	167	-60	-26.4%
Hydaburg School District	103	73	-30	-29.1%
Juneau School District	5,521	5,237	-284	-5.1%
Kake City School District	165	116	-49	-29.7%
Ketchikan Gateway Borough School District	2,490	2,296	-194	-7.8%
Klawock City School District	208	136	-72	-34.6%
Pelican City School District	23	14	-9	-39.1%
Petersburg City Schools	678	591	-87	-12.8%
Sitka School District	1,589	1,477	-112	-7.0%
Skagway City School District	137	109	-28	-20.4%
Southeast Island School District	281	207	-74	-26.3%
Wrangell Public Schools	488	370	-118	-24.2%
Yakutat School District	166	133	-33	-19.9%
Southwest Region	9,832	9,912	80	0.8%
Aleutian Region School District	59	44	-15	-25.4%
Aleutians East Borough School District	308	246	-62	-20.1%
Bristol Bay Borough School District	243	179	-64	-26.3%
Dillingham City School District	580	551	-29	-5.0%
Kashunamiut School District	314	331	17	5.4%
Kuspuk School District	470	415	-55	-11.7%
Lake and Peninsula School District	462	386	-76	-16.5%
Lower Kuskokwim School District	3,648	3,930	282	7.7%
Lower Yukon School District	1,927	2,037	110	5.7%
Pribilof School District	144	115	-29	-20.1%
St. Mary's School District	138	165	27	19.6%
Southwest Region School District	768	669	-99	-12.9%
Unalaska City School District	351	398	47	13.4%
Yup'it School District	420	446	26	6.2%
Statewide - Alyeska Central School	1,306	0	-1,306	-100.0%
All School Districts	131,926	130,868	-1,058	-0.8%

Fairbanks Census Area gained most of their new residents between 2004 and 2005. Southeast Fairbanks' big attraction is the Pogo mine; in Fairbanks, the newly assigned Stryker Brigade is included in population estimates, although the troops aren't actually there now.

Employment in the Interior region's school districts showed an increase of 4 percent between April 2000 and April 2005.

Overall employment in the school districts has varied

Employment in Alaska's school districts has risen 26 percent in the past 15 years. But the growth hasn't been continuous – employment actually fell in 1995 and 2004, while it peaked in 2003. (See Exhibit 11.)

Although school enrollment levels and school district employment are closely related, their growth trends differ at times. In 1994

Notes and Source for Exhibit 10

Note: The average daily enrollment for fiscal year 2001 is the average of the daily enrollment numbers for 20 days in the latter part of October 2000; the average daily enrollment for fiscal year 2006 is the average for the 20 days in October 2005.

¹ Enrollment numbers include correspondent school students.

² The Alaska Gateway School District's Mentasta Lake School is located in the Gulf economic region, even though the rest of the district is in the Interior economic region. The school is counted as part of the Alaska Gateway School District in the Interior region.

³ The Iditarod School District's Lime Village School is located in the Northern economic region, even though the rest of the district is in the Interior economic region. The school is counted as part of the Iditarod School District in the Interior region.

Source: Alaska Department of Education and Early Development

(fiscal year 1995),⁶ for example, student counts increased while employment declined, and in 2003, at peak employment, the number of students (including correspondence students) was down 420 from fiscal year 1999, when the employment numbers were the highest. But in 11 of 15 years, employment and enrollment moved in synch.

Other factors that influence employment

The number of students isn't the only factor that influences school district employment. Program changes, such as the inclusion of special education, an increased demand for vocational schools and bilingual education programs, affect staff levels, along with changes in the number of correspondence or home-schooled students.

The specific composition of the student body in schools or districts also plays an important role. A school that has a large number of special-needs students or those who lack a proficiency in English requires more staff. In fiscal year 2006, for example, more than 18,000 students, or nearly 14 percent of Alaska's K-12 students, needed special education due to physical, emotional or mental disabilities.

Other changes, such as the federal No Child Left Behind Act of 2001, required school districts to meet national education standards. Alaska's schools, like those of other states, found that many of its students needed additional instruction to pass the mandatory examinations. Between April 2001 and April 2002, Alaska's school district employment rose by more than 4 percent but student average enrollment in fiscal years 2001 and 2002 showed little change.

The financing of local education

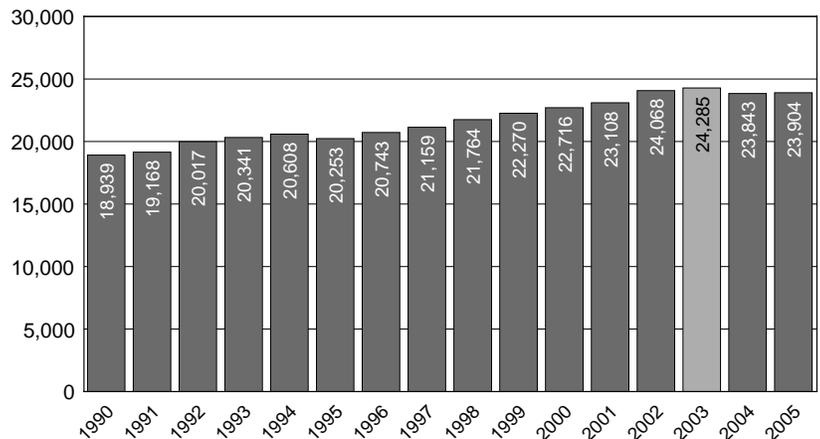
Local education is financed through a maze of channels from public sources, and to some extent, from private sources. School districts have operating funds that are supplemented by special revenues for dedicated purposes. (Capi-

⁶ Employment is calculated by the calendar year; school districts use the fiscal year.

School Employment Peaked in 2003 Alaska school district employment, 1990-2005



Employment in Alaska school districts during April of each year



Source: Alaska Department of Labor & Workforce Development, Research and Analysis Section

tal budget funds, pupil transportation and food services are subject to separate appropriations, which come in different forms from local, state and federal sources. Funds for those expenditures aren't considered basic operational obligations and therefore aren't part of the revenue picture given here.)

Alaska's school districts received \$1.38 billion in operating funds and special revenue in fiscal year 2005 from three main sources: the state, federal and local governments, according to the Alaska Department of Education and Early Development.

The state tracks each school district's operational revenue and special revenue. It uses a funding formula that factors in the amount each district gets from nonstate funding sources and the number of students in a district to determine how much it'll give that district.

Statewide, 53 percent of school district funding in fiscal year 2005 came from the state, which receives most of its revenue from oil industry related taxes. The amount the state gives each school district, however, varies greatly. In general, the state gives more to districts located in areas that don't generate enough local taxes to help pay for schools; Alaska has 19 such districts. For example, the state furnishes 78 per-

cent of St. Mary's School District revenue – St. Mary's is a small district in an area with an insufficient local tax base – while it contributes only 20 percent toward the North Slope Borough School District's revenue. The North Slope Borough pays 51 percent of its school district's operating costs, mostly from local oil related taxes.

Statewide, local property and sales tax revenues represented 24 percent of school district funding in fiscal year 2005.

Eight percent of school district funding came from the federal government, mostly as impact aid, which compensates a school district for its lack of local property tax revenue due to federal land holdings within a district's boundaries. There is no federal land within the Nenana School District's boundaries, for example, so that district doesn't receive any federal impact aid. But the federal government pays 62 percent of Annette Islands School District's operating funds because Alaska's only Indian reservation is within its boundaries.

Special revenue

In fiscal year 2005, \$175.5 million, or 13 percent of the state's school district revenue, called "special revenue," came mostly from federal grants, as well as from state, local and other sources. The amount of special revenue each school district gets every year varies, depending on need and the grants it receives. The grants include those to support the Title I program (aimed to assist economically deprived students), special education, migrant education, technology education, aid to charter schools, reading excellence programs and continuing education for teachers.

Several grants aimed at achieving proficiency in the English language have become especially important to some districts. In recent years the Anchorage School District in particular has noted an increase of cultural diversity among its students with multiple linguistic backgrounds. Just recently the district proclaimed that 95 different languages are spoken in Anchorage households with school-age children. Such special demands usually boost staff levels and payroll.

Two percent of school district funding in fiscal year 2005 came from investment interest and other income.

Payroll costs increase

In the past five years the state's combined school payroll – excluding benefits – has risen by nearly 16 percent, while employment increased by 5 percent. In 2005, the average gross pay per school district employee in Alaska was \$38,260 per year, up 8 percent from 2000. Anchorage's consumer prices, however, increased by 13 percent during that time, based on the Anchorage Consumer Price Index, the state's only local inflation measure.

Local government is a big industry and big employer

Although many people might not think of local government as an industry, its role and economic impact on Alaska's communities is substantial. Local government creates thousands of jobs in a wide variety of occupations; its employees provide essential services to virtually everyone in the state. In many areas in Alaska, local government is often one of the main employers; sometimes it's an area's only major employer.

Local government employment, though, has grown very slowly over the past decade. In part this is due to slower population growth, flat school enrollments and slower growth in the financial resources needed to operate government. This trend is likely to continue for the foreseeable future.

Job count unchanged in August; unemployment rate falls

Nonfarm wage and salary employment held steady in August at 337,000 and the state's unemployment rate fell eight-tenths of a percentage point to 5.5 percent. Over-the-year job growth has slowed slightly in recent months and stood at 1.2 percent in August.

A large seasonal decline in seafood processing largely offset the seasonal increase in local education jobs. (See Exhibit 1.) The construction industry added 400 jobs in August, the seasonal high point for building activity, while the state's remaining industries generally saw little change in employment.

Strong growth in the oil and gas industry

Over-the-year comparisons continued to show the oil and gas industry as a bright spot, with 800 more jobs in August 2006 than 12 months earlier. Any employment effects of British Petroleum's decision to shut down part of the Prudhoe Bay oil field to repair pipelines wouldn't show up until September's data are released, at the earliest.

Growth elsewhere was broad-based, though slower than in recent years for both construction and health care. The only major categories showing job losses were seafood processing and the federal government.

Largest share of job growth in Anchorage/Mat-Su

The Anchorage/Mat-Su region accounted for about 3,300 new jobs from August 2005 to August 2006, easily the largest number among

the state's six economic regions. (See Exhibit 3.) Job growth in Anchorage/Mat-Su was scattered across nearly every major industry sector, with the only noticeable exception being the federal government, where employment was down about 200 jobs since August 2005.

The Interior and Northern regions have also seen appreciable over-the-year job growth. In the Interior, most of the new jobs have come from mining, health care, tourism-related industries and government. Growth in the Northern region was due almost entirely to stimulated activity in the oil and gas industry.

Elsewhere in the state, the job count was down in both the Southwest and Gulf regions and was up just slightly in Southeast.

Unemployment rate drops significantly

Alaska's unemployment rate fell from 6.3 percent in July to 5.5 percent in August, a significantly larger decline than can be explained by typical seasonal factors. The reasons for the decline aren't known and were likely due in part to inherent volatility in the survey that produces the unemployment rate.

The 5.5 percent rate was slightly lower than August 2005's 5.8 percent rate. For much of 2006, there has been no discernable trend to the state's unemployment rate, with some months hinting at rising unemployment only to be followed by significant declines such as August's. If anything, the unemployment data suggested a relatively stable labor market that corresponds with wage and salary employment estimates showing consistent but relatively slow job growth.

1 Nonfarm Wage and Salary Employment

	Preliminary	Revised	Revised	Changes from:	
	8/06	7/06	8/05	7/06	8/05
Alaska					
Total Nonfarm Wage and Salary¹	337,000	337,000	332,900	0	4,100
Goods-Producing ²	54,000	55,900	53,200	-1,900	800
Service-Providing ³	283,000	281,100	279,700	1,900	3,300
Natural Resources and Mining	12,200	12,200	11,200	0	1,000
Logging	500	500	600	0	-100
Mining	11,700	11,700	10,600	0	1,100
Oil and Gas	9,700	9,800	8,900	-100	800
Construction	22,900	22,500	22,700	400	200
Manufacturing	18,900	21,200	19,300	-2,300	-400
Wood Product Manufacturing	400	400	400	0	0
Seafood Processing	14,700	16,900	15,200	-2,200	-500
Trade, Transportation, Utilities	69,600	69,300	68,700	300	900
Wholesale Trade	6,900	6,900	6,800	0	100
Retail Trade	38,500	38,300	37,800	200	700
Food and Beverage Stores	6,800	6,900	6,700	-100	100
General Merchandise Stores	9,500	9,500	9,400	0	100
Transportation, Warehousing, Utilities	24,200	24,100	24,100	100	100
Air Transportation	6,800	6,800	6,700	0	100
Truck Transportation	3,300	3,400	3,400	-100	-100
Information	7,000	7,000	6,900	0	100
Telecommunications	4,200	4,200	4,200	0	0
Financial Activities	15,500	15,400	15,300	100	200
Professional and Business Services	26,300	26,100	25,900	200	400
Educational⁴ and Health Services	36,400	36,500	35,600	-100	800
Health Care	26,500	26,400	26,000	100	500
Leisure and Hospitality	38,600	38,700	38,100	-100	500
Accommodations	11,400	11,400	11,300	0	100
Food Services and Drinking Places	21,900	22,000	21,400	-100	500
Other Services	11,800	11,800	11,700	0	100
Government	77,800	76,300	77,500	1,500	300
Federal Government ⁵	17,200	17,400	17,600	-200	-400
State Government	23,600	23,600	23,200	0	400
State Government Education ⁶	5,500	5,600	5,400	-100	100
Local Government	37,000	35,300	36,700	1,700	300
Local Government Education ⁷	18,500	16,600	18,300	1,900	200
Tribal Government	4,200	4,300	4,300	-100	-100

Notes for all exhibits on this page:

¹ Excludes self-employed workers, fishermen, domestic workers, unpaid family workers and nonprofit volunteers

² Goods-producing sectors include natural resources and mining, construction and manufacturing.

³ Service-providing sectors include all others not listed as goods-producing sectors.

⁴ Private education only

⁵ Excludes uniformed military

⁶ Includes the University of Alaska

⁷ Includes public school systems

⁸ Fairbanks North Star Borough

Sources for all exhibits on this page: Alaska Department of Labor & Workforce Development, Research and Analysis Section; and the U.S Bureau of Labor Statistics

2 Unemployment Rates By borough and census area

	Prelim.	Revised	Revised
	8/06	7/06	8/05
NOT SEASONALLY ADJUSTED			
United States	4.6	5.0	4.9
Alaska Statewide	5.5	6.3	5.8
Anchorage/Mat-Su	5.0	5.7	5.3
Municipality of Anchorage	4.8	5.4	5.1
Mat-Su Borough	6.2	7.2	6.3
Gulf Coast Region	5.7	6.5	6.4
Kenai Peninsula Borough	5.9	6.6	6.6
Kodiak Island Borough	5.8	6.5	6.0
Valdez-Cordova Census Area	5.2	6.2	5.9
Interior Region	5.2	6.1	5.1
Denali Borough	2.2	2.4	2.1
Fairbanks North Star Borough	4.8	5.6	4.8
Southeast Fairbanks Census Area	7.7	8.8	7.4
Yukon-Koyukuk Census Area	11.5	13.4	9.6
Northern Region	10.1	11.8	11.3
Nome Census Area	12.8	14.9	12.7
North Slope Borough	7.1	8.2	9.7
Northwest Arctic Borough	11.0	12.7	11.6
Southeast Region	4.7	5.5	5.1
Haines Borough	3.5	4.3	4.1
Juneau Borough	4.0	4.7	4.7
Ketchikan Gateway Borough	4.4	4.9	4.7
Prince of Wales-Outer Ketchikan CA	11.0	12.0	10.1
Sitka Borough	4.0	4.7	4.3
Skagway-Hoonah-Angoon CA	6.1	7.1	6.3
Wrangell-Petersburg Census Area	5.5	7.1	6.2
Yakutat Borough	5.3	6.1	5.0
Southwest Region	10.0	11.0	10.2
Aleutians East Borough	6.3	6.3	6.9
Aleutians West Census Area	3.8	4.7	4.1
Bethel Census Area	12.7	14.8	12.8
Bristol Bay Borough	2.6	1.9	2.8
Dillingham Census Area	8.8	8.8	9.1
Lake and Peninsula Borough	4.9	5.7	5.6
Wade Hampton Census Area	21.9	27.7	21.9
SEASONALLY ADJUSTED			
United States	4.7	4.8	4.9
Alaska Statewide	6.5	7.0	6.7

For more current state and regional employment and unemployment data, visit our Web site.

almis.labor.state.ak.us

3 Nonfarm Wage and Salary Employment By Region

	Preliminary	Revised	Revised	Changes from:		Percent Change:	
	8/06	7/06	8/05	7/06	8/05	7/06	8/05
Anch/Mat-Su	172,600	171,400	169,300	1,200	3,300	0.7%	1.9%
Anchorage	153,000	152,300	150,700	700	2,300	0.5%	1.5%
Gulf Coast	32,700	33,350	32,850	-650	-150	-1.9%	-0.5%
Interior	50,300	49,900	49,300	400	1,000	0.8%	2.0%
Fairbanks ⁸	39,800	40,000	39,600	-200	200	-0.5%	0.5%
Northern	16,950	16,700	16,400	250	550	1.5%	3.4%
Southeast	43,000	42,500	42,850	500	150	1.2%	0.4%
Southwest	21,550	23,150	21,850	-1,600	-300	-6.9%	-1.4%

The Fishermen's, Second Injury and Benefits Guaranty funds

Ask anyone on the street to name a statewide fund providing benefits to Alaskans and the likely answer will be the Permanent Fund. By paying state residents an annual dividend (\$1,106.96 in 2006) that \$34 billion fund has certainly earned its notoriety. For someone injured while commercial fishing, though, knowing about the state's Fishermen's Fund may have been even more important. In 2005, the lesser-known fund paid an average of \$1,121 per person for medical care provided to 841 people who were injured or fell ill while commercial fishing in Alaska.

The Fishermen's Fund, along with the Second Injury Fund and the newly formed Benefits Guaranty Fund, are small funds within the Alaska Department of Labor & Workforce Development's Workers' Compensation Division that can play large roles in the lives of injured workers. The benefits and the workers who qualify for them vary, but the funds all share the same goal – helping injured workers get back on the job.

The division's general workers' compensation program also aims to help injured workers get back to work, but these three funds operate separately. Each

is intended to address a specific problem or concern affecting particular groups of injured workers.

The Fishermen's Fund helps pay the medical bills of commercial fishermen not covered by health insurance. The payments reduce the concern that commercial fishermen, who are exempt from the requirement to have workers' compensation insurance, might be unable to get needed medical care.

The concern of the Second Injury Fund is employment discrimination. Without the fund, which was established in 1959 in the first Legislature after statehood, employers were often hesitant to hire a worker with a disability because they feared a relatively minor injury might combine with the existing disability and obligate them to pay large amounts of workers' compensation benefits.

To reduce those concerns, the Second Injury Fund reimburses employers' insurance companies and self-insured employers for some of the benefits they pay each year to the injured workers whom the employers knew had disabilities when they hired them. By reducing the financial impact on the employers and their insurance companies, the fund removes a potential barrier to the reemployment of those workers with disabilities.

The Benefits Guaranty Fund deals with the problems workers face when they're injured on the job and their employers don't have workers' compensation insurance. If the employers fail to pay their employees' medical bills themselves, the fund pays the bills, then goes through the Attorney General's Office to collect the money from the employers in civil court.

The Fishermen's Fund

The Fishermen's Fund was established in 1951, prior to statehood, and lawmakers in 1959 voted to continue the fund in the first legislative session after statehood.

Fishermen's Fund technicians Linda Crapo (left) and Noora Parish review claims from fishermen. The fund helps pay the medical bills of commercial fishermen who aren't covered by health insurance.



Photo by Sam Dapevich

Thirty-nine percent of the amount crewmembers pay for their commercial fishing crewmember licenses each year goes into the fund, along with up to \$50 of the annual fee for each fishery limited entry permit. Those fees are then used to pay for medical care needed by crewmember license holders who are injured or become sick while fishing. The fund only pays bills that aren't covered by public or private health insurance coverage.

Linda Crapo and Noora Parish, the fund's two technicians, accept claims, establish coverage and then pay the health care providers or reimburse the fishermen if they've already paid the providers. Mike Monagle, the coordinator of Fishermen's Fund and other funds, said Crapo and Parish, working with a new computer system, have pared the claim approval process that took at least 30 days two years ago down to seven days. Using the new system, they verify the provider health care codes – to ensure they're paying the provider for treatment directly related to the injury – then upload their payment requests to the State of Alaska's accounting system, which issues and mails out the checks, or deposits the money in the providers' or fishermen's accounts, Monagle said.

In 2005, the fund paid out \$942,970 in benefits for 841 approved claims.

Monagle said filing a claim with Fishermen's Fund, or even appealing a claim, is a relatively simple process.

"Our experience is in relation to Workers' Compensation. Workers' Compensation is a system that follows administrative rules. It's sort of like a court case, with rules of evidence, discovery and depositions. Fishermen's Fund isn't anything like that," he said.

"It's a very uncomplicated process. There are no attorneys, no depositions, no sworn testimony," he said. Injured or sick fishermen file claims. If the claims are under \$2,500, Crapo and Parish approve them. If they're higher, they go to the fund's Advisory and Appeals Council for approval. The council, which usually meets in March and October each year, is made up of five fishermen appointed by the governor, one from each of the state's five fishery regions, and the Department of Labor's commissioner.

Appeals also go to the council. Fishermen can appear in person, but typically they fill out an appeal form. The council meets in executive session to decide on the appeal; if a fisherman doesn't like

the council's decision, he or she can file a second appeal with the commissioner.

The Second Injury Fund

The Second Injury Fund is paid for by annual fees from employers' insurance companies and employers who are approved self-insurers. They pay an annual fee of 6 percent of the total amount they pay to workers with disabilities for lost wages.

The fund staff then uses the fund to pay back the insurance companies and self-insured employers for the money they pay each year in lost wages to workers with disabilities. The reimbursement is made when a second injury combines with an initial disability, requiring the payment of substantially greater benefits than what would have been owed for the second injury alone. The fund allows insurance companies and self-insured employers to spread out risk, said Monagle, who's also the administrator of the Second Injury Fund.

In 2005, the fund collected \$3.9 million and reimbursed \$3.1 million to the insurance companies and self-insured employers on 130 claims, Monagle said. Cindy Neff, a compensation officer, and Carol Carter, a technician, run the fund's day-to-day operations. (Their salaries, along with part of Monagle's, come out of the fund. The Fishermen's Fund works the same way.)

Monagle said workers who are completely disabled and can't work get monthly payments for lost wages for the rest of their lives. (Since they aren't working, they wouldn't be able to accrue the retirement they would have accrued if they were working. Any other disability payment, other than Medicare, is deducted from their lost wages payment.)

The law lists the disabling "permanent physical impairments" that qualify for reimbursement from the fund. While some qualifying impairments such as limb amputations are apparent, others aren't. Conditions such as arthritis, heart disease, diabetes and ruptured spinal disks often have no visible signs.

Therefore, it's up to employers to ask their employees about any disabilities after they're hired, (which complies with the Americans with Disabilities Act). If they don't, the employers can't show they documented the impairments before the second injuries occurred – an absolute requirement for reimbursement. Many employers ask their employees to complete a checklist of 28 qualify-

ing conditions. By placing these checklists in their files, often with supporting medical records, the employers, through their insurance companies, are ready to pursue reimbursement if second injuries occur.

The Benefits Guaranty Fund

The Benefits Guaranty Fund, established in November 2005, is funded entirely from the civil penalties assessed against employers who fail to carry the required workers' compensation liability insurance. The Workers' Compensation Board has the authority to assess up to \$1,000 per day per employee in penalties.

The legislation that established the fund authorized the division to increase its investigators from the two it had in Anchorage to the five investigators it has now in Anchorage, Juneau and Fairbanks. Paul Grossi is the chief investigator; the others are Mark Lutz, Sandra Stuller, Richard Degenhardt and Richard Ellis. They track down uninsured employers, and investigate fraud in workers' compensation and the other funds, whether it's an employee's fraudulent workers' compensation claim or a health care provider's fraudulent charges. Insurance company wrongdoings are referred to the Division of Insurance within the Department of Commerce, Community and Economic Development.

The Benefits Guaranty Fund, unlike the others, employs no administrative staff. Instead, it was designed to function by using a contractor as a claims adjuster. Since penalties paid into the fund are now \$45,700, the Workers' Compensation

Division will solicit bids from contractors to do the claims adjusting. In the meantime, the division will continue to accept claims that will be forwarded to the eventual contractor.

"[The fund] will be a quicker remedy for the injured worker," Monagle said. Before the fund was established, the Workers' Compensation Board would order uninsured employers to pay their employees' benefits, and when they didn't, the division would ask the Attorney General's Office to collect the money for the employees (or health care providers if the employees couldn't pay them). Now that the fund is in place, the fund will be used to pay the employees or health care providers right away, then the division will ask the Attorney General's Office to collect the money for the state (to reimburse the fund). And, as before, the division refers employers in particularly egregious cases to the District Attorney's Office for prosecution.

Monagle said a lot of employers complain about having to pay for workers' compensation insurance, but what they dislike more is when their competitors don't have workers' compensation insurance and they get away with it. The Benefits Guaranty Fund – and the added investigators to track down uninsured employers – helps to level the playing field, he said.

"I'm real excited about all the programs, especially about the Benefits Guaranty Fund," Monagle said. "I think it's long overdue. I think it's been tragic when people who are injured through no fault of their own end up with severe disabilities and no resources available to them."

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