



**STATE OF HAWAII
DEPARTMENT OF LABOR AND INDUSTRIAL RELATIONS**

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March 25, 2013

To: The Honorable David Ige, Chair,
The Honorable Michelle Kidani, Vice Chair, and
Members of the Senate Committee on Ways and Means

Date: Monday, March 25, 2013

Time: 9:20 a.m.

Place: Conference Room 211, State Capitol

From: Dwight Y. Takamine, Director
Department of Labor and Industrial Relations (DLIR)

Re: H.B. No. 918 HD1 SD1 Relating to the Employment and Training Fund

I. OVERVIEW OF PROPOSED LEGISLATION

- HB918 HD1SD1 amends Section 383-128(b), Hawaii Revised Statutes (HRS), to allow employment and training fund moneys to be used to supplement insufficient funds allocated under the federal Workforce Investment Act (WIA) of 1998, Public Law 105-220, as amended.
- The proposed legislation clarifies that the moneys collected and deposited into the employment and training fund to pay interest for federal loans covering unemployment insurance benefits can be used as a stopgap measure to support workforce training activities for dislocated workers, youth, and low-income adults.
- The measure would help the DLIR to avoid the liability of up to \$7,145,877 in general funds for the administration of WIA federal funds and laying off more staff (3 to date).

The department strongly supports this Administration measure.

II. CURRENT LAW

HRS Section 383-128 established a special fund known as the Employment and Training Fund (ETF) whereby assessments collected from employers pursuant to Section 383-129 (.01 of taxable wages or up to \$39,600 this year) is deposited for education and training programs that assist private sector employers and employees. Annually, DLIR collects approximately \$1.2m through the ETF

assessment, except for calendar year 2012 when employers were not assessed for ETF.

Act 2, Session Laws of Hawaii (2011), and Act 6, Session Laws of Hawaii (2012), authorized the department to assess employers an additional amount in 2011 and 2012 respectively through the Employment and Training Fund, to cover the cost of interest for federal loans to pay unemployment insurance benefits when the Unemployment Trust Fund is depleted.

Act 2 and Act 6 gave the Director authority to waive the assessment for ETF if the federal government waived interest due on federal loans. Although \$211,000 was paid in interest for federal loans in December of 2010, the Director waived the ETF assessment for 2012, leaving about \$800,000 from the special assessment in 2011. This proposal clarifies that the department can use part of the moneys collected to help offset the restriction of Workforce Investment Act administrative funds.

III. COMMENTS ON HB918 HD1SD1

- WIA Programs are primarily intended to help adults, dislocated workers, youth, and other target groups with relevant training programs and intensive job counseling services designed to help them become better prepared for new careers. WIA funding also supports employers with rapid response services when they are undergoing plant closure or laying off employees.
- WIA offers a wide variety of programs that benefit companies through training assistance, access to tax credits, recruitment assistance, and other useful services. For workers, the WIA programs' primary goal is to support job seekers in acquiring upgraded skills through a variety of services that train them for the demands of the job market.
- HB918 HD1SD1 proposes to address adverse consequences imposed on the department as a result of a drastic reduction in Workforce Investment Act funding for state-level administrative purposes. Prior to 2011, federal law allowed a maximum of 15 % of total funds to be used for administration and management of the funds. Since 2011, Congress imposed a much lower cap of 5 percent, a 67 % decrease, which represents a loss of \$714,882 in funds for the Workforce Development Division in which to administer \$7,145,877 in WIA moneys. The balance of the funds, 95%, is contracted to the four county governments for service delivery as required by statute.

- Despite the federal funding restriction, the State's responsibilities including program and financial management, oversight, administration, contracting, technical assistance, and reporting, remain the same. From July 1, 2011, the department has been utilizing carryover funds, laying off staff (3 to date), and temporary cost-cutting measures to meet its federal obligations.
- The department is working to achieve long-term solutions to the restriction of administrative funds. At the same time, it is requesting that it be allowed to use the employment and training fund moneys to supplement the reduced funding for statewide administration. Without the supplement, the department may be unable to fulfill all the federally mandated responsibilities, and this may subject the state to potential disallowed costs for non-compliance. Since disallowed costs can only be repaid by non-federal funds, there will be increased state liability for costs to be paid from state general revenue.

Twenty-Seventh Legislature
Regular Session of 2013

THE SENATE

Committee on Ways and Means
Senator David Y. Ige, Chair
Senator Michelle N. Kidani, Vice Chair
State Capitol, Conference Room 211
Monday, March 25, 2013; 9:20 a.m.

**STATEMENT OF THE ILWU LOCAL 142 ON H.B. 918, HD1, SD1
RELATING TO THE EMPLOYMENT AND TRAINING FUND**

The ILWU Local 142 supports H.B. 918, HD1, SD1, which allows Employment and Training Fund moneys collected for the purpose of paying interest assessments on loans to the Unemployment Trust Fund to be used for a period of one year for costs to administer, manage, report, and oversee Workforce Investment Act programs.

In anticipation of the need to borrow from the federal government to pay for unemployment benefits when the State's Trust Fund was depleted, the Legislature authorized assessments to cover interest that may have been required. However, only a small portion of the amount collected was used for interest payments and remains in the Employment and Training Fund.

In the meantime, the federal government severely reduced Workforce Investment Act (WIA) funding for administration of WIA programs in Hawaii. These programs assist dislocated workers, laid off due to plant closures and downsizing, and low-income individuals to find new employment. Services include occupational training, basic education, pre-employment workshops, information on the job market, job placement, and a host of other activities for jobseekers. In addition, WIA programs also assist employers to find qualified employees. Furthermore, federal WIA funds facilitate partnerships among public and private agencies to provide the services and foster collaboration.

Federal funding requires monitoring, reporting, coordination, and accountability. With resources for these administrative functions being severely slashed, the Workforce Development Division of the Department of Labor and Industrial Relations is left in a quandary. H.B. 918, HD1, SD1 proposes to use surplus funds in the Employment and Training Fund on a temporary basis to pay for required administrative needs.

The ILWU believes this is a prudent use of resources and urges passage of H.B. 918, HD1, SD1. Thank you for the opportunity to share our views on this matter.