

JAN 23 2006

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# A BILL FOR AN ACT

RELATING TO ECONOMIC DEVELOPMENT.

**BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF HAWAII:**

1           SECTION 1. The legislature finds that despite the immense  
2 importance and critical interdependence of state-level economic  
3 and workforce development efforts, there is a lack of  
4 coordination and mutual understanding between these major  
5 programs and significant differences in their administrative  
6 structures. These problems hamper the State's ability to  
7 address the serious challenges of building a high-wage, highly  
8 skilled, and competitive economy.

9           The need to merge economic development and workforce  
10 development efforts stems from the changing role of workforce  
11 development. In the past, federal and state workforce programs  
12 were targeted towards specific client groups that found entry  
13 into the labor market difficult. This included populations of  
14 school dropouts, the disabled, welfare recipients, and other  
15 hard to hire groups. These groups are still important in  
16 workforce development. Currently, the main thrust of workforce  
17 development is undergoing a significant transformation from  
18 serving primarily client groups to the broader goal of supplying



1 skilled and productive workers for businesses, especially for  
2 industries emerging as new economic drivers. This changing role  
3 has redirected workforce development from a social service  
4 orientation to an economic development orientation involving  
5 considerable collaboration with the business community.  
6 Moreover, as the baby boom generation enters retirement age the  
7 emerging critical issue for economic development is ensuring  
8 skilled labor replacement and growth to maintain a competitive  
9 growing economy. Each system maintains teams that deal with  
10 businesses, develop growth strategies, and generate research and  
11 policy recommendations without working within the scope of a  
12 single coordinated plan for economic and workforce development  
13 or drawing on the expertise and additional resources of one  
14 another.

15 A recent September 2005 study by the national Governors  
16 Association, *Aligning State Workforce Development and Economic*  
17 *Development Initiatives*, finds that organization consolidation  
18 can produce many benefits and lasting change that justify the  
19 effort, such as unified authority and its potential for ensuring  
20 more coordinated planning, implementation, and evaluation. In  
21 addition, the study found that consolidating agencies can break



1 up dysfunctional bureaucracies and send strong signals about new  
2 directions and expectations.

3 Over the past decade a number of states have recognized the  
4 synergy of their workforce and economic development programs and  
5 integrated them under a single agency. Currently, Missouri,  
6 Oklahoma, Minnesota, Michigan, Idaho and Kansas have combined  
7 state level economic and workforce development efforts in one  
8 form or another. The December 19, 2005 final report of the  
9 Governor's Economic Momentum Commission also recommends the  
10 merger of the workforce development programs of the Department  
11 of Labor and Industrial Relations with the economic development  
12 programs of the Department of Business, Economic Development and  
13 Tourism, with the latter department providing strategic  
14 oversight and coordination.

15 In a recent study by the National Center on Education and  
16 the Economy it was found that combining workforce and economic  
17 development efforts have a number of potential benefits  
18 including: consistency and alignment through one broadly  
19 defined, clear mission; greater resources under one roof that  
20 can be more flexibly and creatively applied; greater  
21 accountability by all staff ultimately answering to one  
22 organizational leader, and the potential for restructuring to



1 institutionalize desired changes in attitudes, behavior, and  
2 outcomes that often motivate the effort and influence its  
3 success.

4 The purpose of this Act is to transfer key workforce  
5 development-related programs from the department of labor and  
6 industrial relations to the department of business, economic  
7 development, and tourism in order bring about more effective  
8 integration of state economic and workforce development efforts.

9 SECTION 2. Section 202-5, Hawaii Revised Statutes, is  
10 amended to read as follows:

11 **"§202-5 Organizational relationships.** The workforce  
12 development council is placed within the department of [~~labor~~  
13 ~~and industrial relations~~] business, economic development, and  
14 tourism for administrative purposes and shall act in an advisory  
15 capacity to the governor."

16 SECTION 3. On July 1, 2007, the workforce development  
17 division and office of research and statistics in the department  
18 of labor and industrial relations, including rights, powers,  
19 functions, duties, and positions, shall be transferred to the  
20 department of business, economic development, and tourism.

21 SECTION 4. All officers and employees whose functions are  
22 transferred by this Act shall be transferred with their



1 functions and shall continue to perform their regular duties  
2 upon their transfer, subject to the state personnel laws and  
3 this Act.

4 No officer or employee of the State having tenure shall  
5 suffer any loss of salary, seniority, prior service credit,  
6 vacation, sick leave, or other employee benefit or privilege as  
7 a consequence of this Act, and such officer or employee may be  
8 transferred or appointed to a civil service position without the  
9 necessity of examination; provided that the officer or employee  
10 possesses the minimum qualifications for the position to which  
11 transferred or appointed; and provided that subsequent changes  
12 in status may be made pursuant to applicable civil service and  
13 compensation laws.

14 An officer or employee of the State who does not have  
15 tenure and who may be transferred or appointed to a civil  
16 service position as a consequence of this Act shall become a  
17 civil service employee without the loss of salary, seniority,  
18 prior service credit, vacation, sick leave, or other employee  
19 benefits or privileges and without the necessity of examination;  
20 provided that such officer or employee possesses the minimum  
21 qualifications for the position to which transferred or  
22 appointed.



1           If an office or position held by an officer or employee  
2   having tenure is abolished, the officer or employee shall not  
3   thereby be separated from public employment, but shall remain in  
4   the employment of the State with the same pay and classification  
5   and shall be transferred to some other office or position for  
6   which the officer or employee is eligible under the personnel  
7   laws of the State as determined by the head of the department or  
8   the governor.

9           SECTION 5. All appropriations, records, equipment,  
10   machines, files, supplies, contracts, books, papers, documents,  
11   maps, and other personal property heretofore made, used,  
12   acquired, or held by the department of labor and industrial  
13   relations relating to the functions transferred to the  
14   department of department of business, economic development, and  
15   tourism shall be transferred with the functions to which they  
16   relate.

17          SECTION 6. All rules, policies, procedures, guidelines,  
18   and other material adopted or developed by the agencies,  
19   divisions or offices transferred or placed for administrative  
20   purposes under this act, shall remain in full force and effect  
21   until amended or repealed by the department of business,



1 economic development, and tourism, pursuant to chapter 91,  
2 Hawaii Revised Statutes.

3 SECTION 7. All deeds, leases, contracts, loans,  
4 agreements, permits, or other documents executed or entered into  
5 by or on behalf of the agencies, divisions or offices  
6 transferred or placed for administrative purposes under this  
7 act, shall remain in full force and effect.

8 SECTION 8. The department of business, economic  
9 development, and tourism with the cooperation and assistance of  
10 the workforce development council and the department of labor  
11 and industrial relations shall prepare an implementation plan  
12 for the reorganization of the State's economic development and  
13 workforce development programs transferred or placed for  
14 administrative purposes under this Act and shall submit a report  
15 to the legislature not later than twenty days prior to the  
16 convening of the 2007 regular session. The report shall include  
17 but not be limited to, the implementation plan, any  
18 recommendations for additional statutory amendments that may be  
19 necessary to fully effectuate the implementation plan and the  
20 purposes of this Act, and any proposed legislation containing  
21 recommended statutory amendments.



1 SECTION 9. If any part of this Act is found to be in  
2 conflict with federal requirements that are a prescribed  
3 condition for the allocation of federal funds to the State, the  
4 conflicting part of this Act is inoperative solely to the extent  
5 of the conflict and with respect to the agencies directly  
6 affected, and this finding does not affect the operation of the  
7 remainder of this Act in its application to the agencies  
8 concerned. The rules under this Act shall meet federal  
9 requirements that are a necessary condition to the receipt of  
10 federal funds by the State.

11 SECTION 10. Statutory material to be repealed is bracketed  
12 and stricken. New statutory material is underscored.

13 SECTION 11. This Act, upon its approval, shall take effect  
14 on July 1, 2007.

15

INTRODUCED BY: Card Fukunaga  
By Request



**Report Title:**

Workforce Development Council

**Description:**

Transfers the workforce development council from the department of labor and industrial relations to the department of business, economic development, and tourism for administrative purposes.

