

JAN 25 2006

S.B. NO. 2354

A BILL FOR AN ACT

RELATING TO MONEYS CREDITED TO THE STATE'S ACCOUNT IN THE UNEMPLOYMENT TRUST FUND PURSUANT TO SECTION 903 OF THE SOCIAL SECURITY ACT.

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

1 SECTION 1. This Act is aimed at workforce development.
2 This Act shall be known as "The Workforce Development Act of
3 2006." In the twenty-first century economy, small and rapid
4 growing businesses have powered Hawaii's job growth and helped
5 sustain the lowest unemployment rate in the nation. The
6 legislature recognizes that the challenges and opportunities for
7 Hawaii are one and the same: that Hawaii's workforce must be
8 competitive to grow the economy, and the economy needs a skilled
9 workforce to grow.

10 The intent of the legislature is to utilize Hawaii's
11 portion of Federal Reed Act moneys to improve the administration
12 and infrastructure of Hawaii's employee and employer services
13 provided by the department of labor and industrial relations and
14 its partners in the four county governments. The use of these
15 funds will assist in creating a comprehensive and coordinated
16 workforce system that enables and sustains economic development,
17 self sufficiency, and global competitiveness.

1 The purpose of this Act is to appropriate Federal Reed Act
2 moneys to the department of labor and industrial relations for
3 the following initiatives:

4 (1) Provide funding for the purposes of assisting the
5 State's four local workforce investment boards. The
6 funds will be used by the local boards to improve
7 employer outreach and services, labor force pool
8 expansion, and capacity building and to fund some
9 shared costs for the operations of the one-stop career
10 centers through the following:

- 11 (A) Employer outreach and services;
- 12 (B) Labor force pool expansion;
- 13 (C) Capacity building; and
- 14 (D) Servicing and maintaining the one-stop operating
15 system;

16 (2) Provide funds to improve the computer systems of the
17 unemployment insurance and workforce development
18 divisions. Currently, the data systems between the
19 unemployment insurance and workforce development
20 divisions do not link together and data is manually
21 input twice, occupying too much staff time in the
22 State's one-stop career centers and congesting the

1 system. This will allow for simultaneous unemployment
2 insurance and workforce development intake or
3 linkages. The systems will be built and programmed to
4 connect, similar to what many other states in the
5 nation do, to allow the seamless sharing of data; and
6 (3) Allow the county workforce investment boards and
7 department of labor and industrial relations to
8 provide capital expenditures for unemployment and
9 employment services programs and adjust their spending
10 plans to reflect unforeseen needs that are allowable
11 costs as defined by the United States department of
12 labor and agreed upon by both the department of labor
13 and industrial relations and the four local workforce
14 investment boards.

15 Further, this Act is also intended to conform to the
16 provisions of P.L. 107-147, Temporary Extended Unemployment
17 Compensation Act of 2002 signed by the President of the United
18 States of America on March 9, 2002. This amendment is needed
19 because the requirements for the Reed Act funds distributed in
20 2002 differ from the prior special Reed Act distribution made in
21 2002 under the Balanced Budget Act of 1997. Under the Balanced
22 Budget Act of 1997, Reed Act moneys were restricted to

1 unemployment insurance administration purposes only. Section
2 383-123, Hawaii Revised Statutes, must be amended to conform to
3 the Temporary Extended Unemployment Compensation Act of 2002
4 Reed Act amendments before Hawaii can use the distribution of
5 \$31,000,000.

6 SECTION 2. Section 383-123, Hawaii Revised Statutes, is
7 amended by amending subsections (b) and (c) to read as follows:

8 "(b) Administrative use. Moneys credited to the account
9 of this State in the unemployment trust fund by the Secretary of
10 the Treasury of the United States pursuant to section 903 of the
11 Social Security Act, as amended, may be requisitioned and used
12 for the payment of benefits and for the payment of expenses
13 incurred for the administration of this State's unemployment
14 compensation law and public employment offices pursuant to a
15 specific appropriation of the legislature; provided that the
16 expenses are incurred and the money is requisitioned after the
17 enactment of an appropriation law which: (1) specifies the
18 purposes for which the moneys are appropriated and the amounts
19 appropriated therefor, (2) limits the period within which the
20 moneys may be obligated to a period ending not more than two
21 years after the date of the enactment of the appropriation law,
22 and (3) limits the amount which may be obligated [~~during a~~

1 ~~twelve-month period beginning on July 1 and ending on the next~~
2 ~~June 30]~~ to an amount which does not exceed the amount by which
3 (A) the aggregate of the amounts credited to the account of this
4 State pursuant to section 903 of the Social Security Act, as
5 amended, [~~during the same twelve-month period and the thirty-~~
6 ~~four preceding twelve-month periods]~~ exceeds (B) the aggregate
7 of the amounts obligated pursuant to this subsection and charged
8 against the amounts credited to the account of this State
9 [~~during such thirty-five twelve-month periods. For the purposes~~
10 ~~of this subsection, amounts which are obligated for~~
11 ~~administration or paid out for benefits shall be charged against~~
12 ~~equivalent amounts which were first credited and which are not~~
13 ~~already so charged; except that no amount obligated for~~
14 ~~administration during a twelve-month period specified herein may~~
15 ~~be charged against any amount credited during such twelve-month~~
16 ~~period earlier than the thirty-fourth preceding such period].~~
17 Moneys credited to the account of this State pursuant to section
18 903 of the Social Security Act, as amended, may not be withdrawn
19 or used except for the payment of benefits and for the payment
20 of expenses for the administration of this chapter pursuant to
21 this subsection.

1 The appropriation, obligation, and expenditure or other
2 disposition of [~~money~~] moneys appropriated under this subsection
3 shall be accounted for in accordance with standards established
4 by the United States Secretary of Labor. Moneys appropriated
5 for the payment of expenses of administration pursuant to this
6 subsection shall be requisitioned as needed for the payment of
7 obligations incurred under the law appropriating the moneys and,
8 upon requisition, shall be deposited in the employment security
9 administration fund from which such payments shall be made.
10 Moneys so deposited [~~shall~~], until expended, shall remain a part
11 of the unemployment compensation fund and, if it will not be
12 expended within one week after it is withdrawn from the
13 unemployment trust fund, shall be returned at the earliest
14 practical date to the Secretary of the Treasury of the United
15 States for credit to this State's account in the unemployment
16 trust fund.

17 (c) Notwithstanding subsection (b), moneys credited to the
18 State's account in federal fiscal years ending in 2000, 2001,
19 and 2002 shall be used solely for the administration of the
20 unemployment compensation program and are not subject to the
21 specific appropriation requirements of subsection (b) [~~-~~]; except
22 that moneys credited in calendar year 2002 with respect to P.L.

1 107-147 shall not be subject to the conditions of this
2 subsection or the two-year limitation requirement specified in
3 subsection (b)."

4 SECTION 3. There is appropriated out of the unemployment
5 trust fund from moneys deposited pursuant to section 383-123(b),
6 Hawaii Revised Statutes, the sum of \$10,000,000, or so much
7 thereof as may be necessary for fiscal year 2006-2007, for the
8 purposes specified in this Act; provided that of the \$10,000,000
9 appropriated for the 2006-2007 fiscal year:

10 (1) The sum of:

11 (A) \$4,795,000 shall be allocated to the city and
12 county of Honolulu's workforce investment board;

13 (B) \$1,252,775 shall be allocated to the county of
14 Maui's workforce investment board;

15 (C) \$1,000,000 shall be allocated to the county of
16 Kauai's workforce investment board; and

17 (D) \$1,500,000 shall be allocated to the county of
18 Hawaii's workforce investment board,

19 to improve employer outreach and services, labor force pool
20 expansion, and capacity building and to fund some shared costs
21 for the operations of the one-stop career centers within each
22 county. Additionally, these appropriated funds may be used to

1 provide capital expenditures for unemployment and employment
2 services programs and other Reed Act allowable costs as defined
3 by the United States department of labor and agreed upon by both
4 the department of labor and industrial relations and the four
5 local workforce investment boards; and

6 (2) The sum of \$1,452,225 shall be allocated to the
7 department of labor and industrial relations for improvement of
8 computer systems. Additionally, these appropriated funds may be
9 used to provide capital expenditures for unemployment and
10 employment services programs and other Reed Act allowable costs
11 as defined by the United States Department of Labor and agreed
12 upon by both the department of labor and industrial relations
13 and the four local workforce investment boards.

14 The sum appropriated shall be expended by the department of
15 labor and industrial relations for the purposes of this Act.

16 SECTION 4. Statutory material to be repealed is bracketed
17 and stricken. New statutory material is underscored.

18 SECTION 5. This Act shall take July 1, 2006.

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INTRODUCED BY: 

21

BY REQUEST

22

SB. NO. 2354

JUSTIFICATION SHEET

DEPARTMENT: Labor and Industrial Relations

TITLE: A BILL FOR AN ACT RELATING TO MONEYS CREDITED TO THE STATE'S ACCOUNT IN THE UNEMPLOYMENT TRUST FUND PURSUANT TO SECTION 903 OF THE SOCIAL SECURITY ACT.

PURPOSE: To appropriate \$10 million in Reed Act funds to improve the services of the unemployment insurance (UI) and workforce development (WDD) divisions through information technology upgrades, while providing the bulk of the funding to the local workforce investment boards to improve employer outreach and services, labor force pool expansion, capacity building, and to fund some shared costs for the operations of the one-stop career centers. Additionally, these funds may be used for capital expenditures for unemployment and employment service programs.

Because this bill makes an appropriation in the second year of the biennium and therefore can only appropriate for a single year, the amount being appropriated is only half of last year's proposed appropriation of \$20 million.

Additionally, the purpose of this bill is to conform to the provisions of P.L. 107-147, Temporary Extended Unemployment Compensation Act of 2002 (TEUCA) signed by the President on March 9, 2002. On March 13, 2002, an \$8 billion Reed Act distribution was made to the states' accounts in the Unemployment Trust Fund. Hawaii received approximately \$31 million and, in accordance with federal law, may use this money to pay Unemployment Insurance (UI) benefits and to pay for the administration of the UI and public employment systems provided that

LBR-05(06)

appropriation is made by the state legislature.

MEANS: Amend sections 383-123(a) and (b), Hawaii Revised Statutes, and appropriate \$10,000,000 from federal Reed Act funds.

JUSTIFICATION: The department of labor and industrial relations received approximately \$31 million in federal Reed Act funds in 2002. The department has been utilizing these funds to ensure the solvency of the UI trust fund and to help lower the employer tax assessment.

There is a current need to improve the efficiency of services provided by UI and WDD. Services will be greatly improved by upgrading the computer systems and software utilized by UI and WDD to enhance the efficiency of processing unemployment insurance claims and to ensure that job search, job training, and placement services offered by the state are effective.

Additionally, due to Hawaii's low unemployment rate, federal funds to the State and local workforce investment boards have been substantially reduced. Providing additional funding to the local areas will ensure improved employment services to the unemployed and to Hawaii's employers.

The conformity amendment is needed because the requirements for the Reed Act funds distributed under the TEUCA in 2002 differ from the prior special Reed Act distribution made in 2002 under the Balanced Budget Act (BBA) of 1997. Under the BBA, Reed Act moneys were restricted to UI administration purposes only.

The TEUCA distribution was unique in that it was for a set dollar amount made without regard to the statutory ceilings in the federal accounts and removed any time limitations. Most importantly, it eliminated

the restriction to UI administrative use only so that Reed Act moneys can also be used to pay for UI benefits as well as the administration of its system of public employment offices.

Section 303(a)(8) of the Social Security Act requires that state laws include provisions for the expenditure of all moneys. Thus, section 383-123, HRS, must be amended to conform to the TEUCA Reed Act amendments before Hawaii can use the distribution of \$31 million.

Impact on the public: None.

Impact on the department and other agencies: None.

GENERAL FUND: None.
OTHER FUNDS: Federal.
PPBS PROGRAM DESIGNATION: LBR-111 and LBR-171.
OTHER AGENCIES AFFECTED: None.
EFFECTIVE DATE: July 1, 2006.