

Honolulu, Hawaii
Feb 17, 2006

RE: H.B. No. 2947
H.D. 1

Honorable Calvin K.Y. Say
Speaker, House of Representatives
Twenty-Third State Legislature
Regular Session of 2006
State of Hawaii

Sir:

Your Committee on Labor & Public Employment, to which was referred H.B. No. 2947 entitled:

"A BILL FOR AN ACT RELATING TO EMPLOYMENT SECURITY,"

begs leave to report as follows:

The purpose of this bill is to assist unemployed individuals and to support efforts to develop a skilled workforce by:

- (1) Conforming state statute to federal law to allow the use of Reed Act funds distributed in 2002 to provide unemployment insurance (UI) benefits and for the administration of the State's UI system, including its public employment offices;
- (2) Allocating \$20,000,000 of the \$31,000,000 in Reed Act funds to:
 - (A) Plan, develop, and implement a computer system for workforce development activities of the counties;
 - (B) Provide additional funding to the county workforce investment boards for, among other things, employer outreach services, labor force pool expansion, and capacity building; and
 - (C) Provide funds to Oahu's workforce investment board.



ILWU Local 142 testified in support of this bill. The Office of Economic Development of the County of Kauai, Workforce Development Council, and Hawaii County Workforce Investment Board supported the intent of this measure. The Department of Labor and Industrial Relations (DLIR) opposed this bill.

As a result of the Balanced Budget Act of 1997, \$31,000,000 was deposited into the State's UI trust fund account. However, these funds were not available for workforce development because federal restrictions require that these funds be strictly used for UI benefit payments. Recent amendments to federal law have expanded the means by which these funds can now be used to include programs geared toward workforce development.

Your Committee finds that efforts to improve the skills of Hawaii's workforce are ongoing and that the additional resources provided through the use of Reed Act funds will go a long way toward developing and maintaining a highly skilled workforce. This is especially important as Hawaii is currently experiencing, and will continue to experience for the foreseeable future, strong economic growth and development.

The Director of DLIR requested your Committee to hear and move the Administration's bill relating to the use of Reed Act funds (H.B. No. 2391). However, your Committee finds that the Administration's legislation does not go far enough in meeting the workforce development needs of our four counties.

Last year the Governor did not properly veto S.B. No. 813 and this legislation became Act 249, Session Laws of Hawaii 2005. This law appropriated approximately double what the Administration wanted to appropriate to the counties for workforce development. Despite the severability language contained in the law, the Administration has refused to release any of this money to the counties.

To ensure that the counties will be able to develop a skilled workforce, your Committee heard this bill, which first and foremost repeals Act 249. This avoids any further confusion and further legal and constitutional problems created by the Governor's attempt to veto Act 249 and her resulting refusal to release the funds. Your Committee finds that the funds are needed for workforce development and through this bill is appropriating almost double the amount of funds to the counties. This level of funding is critical to the counties if, we are to effectively address Hawaii's workforce development issues.



However, your Committee understands the concerns and problems raised by requiring the withholding of funds from DLIR until all funds from DLIR are released to the counties. Accordingly, your Committee has amended this measure by:

- (1) Deleting language that stipulated that no funds appropriated to DLIR for use by DLIR and the counties may be released by the Governor to DLIR until all funds appropriated by the Legislature for the benefit of the counties have been timely, fully, and completely released to the counties; and
- (2) Making technical, nonsubstantive amendments for clarity, consistency, and style.

As affirmed by the record of votes of the members of your Committee on Labor & Public Employment that is attached to this report, your Committee is in accord with the intent and purpose of H.B. No. 2947, as amended herein, and recommends that it pass Second Reading in the form attached hereto as H.B. No. 2947, H.D. 1, and be referred to the Committee on Finance.

Respectfully submitted on
behalf of the members of the
Committee on Labor & Public
Employment,


KIRK CALDWELL, Chair



