

JAN 22 2007

A BILL FOR AN ACT

RELATING TO INNOVATION IN WORKFORCE DEVELOPMENT.

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

1 SECTION 1. The legislature finds that Hawaii's desire for
2 economic growth that benefits all residents depends on building
3 our State's human resources.

4 Realization of Hawaii's longstanding desire for economic
5 diversification and sustainability turns on applying the State's
6 high skilled resources to the creation and adoption of
7 innovation across the economy.

8 **Legislative Package for 2007 Legislative Session**

9 This Act is part of an initial package of initiatives
10 focusing on innovation introduced for the 2007 regular session.

11 This package is intended to achieve:

12 (1) A twenty-first century workforce with science,
13 technology, engineering, math, and problem-solving
14 skills sufficient to ensure innovation and
15 sustainability of Hawaii's economy;

16 (2) Higher education institutions as "drivers" for
17 innovation;

- 1 (3) Continued public investment in the State's innovation
2 infrastructure;
- 3 (4) Addressing the capital gap for Hawaii's emerging
4 technology and creative industry companies;
- 5 (5) Opportunities for incumbent workers to engage in life-
6 long learning and skill-building;
- 7 (6) Residents and businesses with international exposure,
8 orientation, and skills to interact with and compete
9 in a global economy;
- 10 (7) An innovation environment that encourages the creation
11 of new products and services that command global
12 market share; and
- 13 (8) Analytical capability to assess policy performance and
14 progress toward innovation economy objectives.

15 In particular this Act provides for four initiatives:

- 16 (1) The establishment of a lifelong learning program and
17 tax credit to support training to upgrade skills of the
18 incumbent workforce;
- 19 (2) The establishment of a rapid response training program
20 and revolving fund in the department of business, economic
21 development, and tourism in order to facilitate rapid
22 custom training for high priority business investments;

1 (3) The establishment of a state level, "Kama`aina come
2 home" program in the department of business, economic
3 development, and tourism to attract former residents back
4 into jobs in Hawaii's economy; and,

5 (4) The merging of certain workforce and economic
6 development programs of the departments of labor and
7 industrial relations and business, economic development,
8 and tourism in order to more effectively and efficiently
9 build a high-skilled economy.

10 Hawaii completed a year of solid economic and workforce
11 growth in 2006. For most of 2006 Hawaii also enjoyed the lowest
12 unemployment rate in the nation. However, according to the
13 state workforce development council, the current shortage may be
14 a relatively modest precursor of a more serious long-term
15 shortage in the future. The workforce development council
16 expects that this will become most evident after the baby boom
17 generation becomes eligible for full social security retirement
18 around 2012. But already parts of the economy in which pensions
19 will support earlier retirement, such as government, are
20 beginning to see an upturn in retirements. The duration of this
21 coming shortage will be measured in decades not years. That is
22 because the tail end of the baby boom generation will not reach

1 the age of full social security retirement benefits (under
2 current rules) until about 2031.

3 The latest projections from the department of labor, and
4 industrial relations, research and statistics office anticipate
5 that reasonable expectations for growth in the economy, coupled
6 with the need to replace workers leaving the workforce, will
7 create a demand for about 24,000 additional workers in Hawaii
8 per year between 2004 and 2014. This is about twice the rate at
9 which our youth will be arriving at workforce age. Moreover,
10 2014 is only two years into the baby boom retirement era.
11 Retirements and separations will tend to accelerate through the
12 following two decades.

13 In addition to the approaching, long-term labor shortage,
14 studies point out two major weaknesses about Hawaii's workforce
15 performance compared with top performing states.

16 First, Hawaii high school graduates are not adequately
17 prepared for post-secondary training. A range of test score
18 results for Hawaii students from eighth grade through high
19 school are significantly lower than the top states. The rates
20 at which high school graduates are enrolling in and completing
21 post-secondary training also need to improve according to data

1 collected by the National Center for Public policy and Higher
2 Education.

3 Second, there is an inadequate focus on the need to
4 increase the skill levels of incumbent workers to meet the
5 rising skill need of an economy driven by more technology and
6 competition. The workforce development council forum in the
7 fall of 2006 concluded that employers need more information
8 about training options and assistance in meeting the need to
9 improve the skills of their workers.

10 Coupled with the emerging worker shortage, the weaknesses
11 in preparing and upgrading our workforce have serious
12 implications for Hawaii's ability to support a more knowledge-
13 and innovation-intensive economy or raise its standard of living
14 through a significant increase in higher paying jobs.

15 SECTION 2. This Act establishes a lifelong learning
16 accounts program in Hawaii, in order to encourage employer and
17 employee investment in upgrading the skills of the incumbent
18 workforce.

19 Lifelong learning accounts are employer-matched educational
20 savings accounts used to finance workers' education and training.
21 The concept is for an individual worker to be able to contribute
22 to a lifelong learning account and have that contribution

1 matched by the employer, similar to a 401(k), but for education
2 and training. Lifelong learning accounts encourage a
3 partnership between workers and employers to effectively
4 leverage resources to increase access to education and training.
5 They are grounded in the idea that individual responsibility,
6 choice, and empowerment are key building blocks for self-
7 reliance.

8 Funding is provided to establish and administer a lifelong
9 learning accounts program.

10 SECTION 3. Chapter 235, Hawaii Revised Statutes, is
11 amended by adding a new section to be appropriately designated
12 and to read as follows:

13 "§235- Lifelong learning account tax credit. (a) Each
14 individual taxpayer, who files an individual income tax return
15 for a taxable year and who is not claimed or is not otherwise
16 eligible to be claimed as a dependent by another taxpayer for
17 Hawaii state individual income tax purposes, may claim a
18 lifelong learning account credit for payments made by the
19 taxpayer into a lifelong learning account during the taxable
20 year against the taxpayer's net individual income tax liability
21 for the taxable year for which the individual's income tax return
22 is being filed. An individual who has no income or no income

1 taxable under this chapter and who is not claimed or is not
2 otherwise eligible to be claimed as a dependent by a taxpayer
3 for Hawaii state individual income tax purposes may also claim
4 this credit. The tax credit shall be as follows:

5 (1) The tax credit shall not exceed \$1,000 in aggregate
6 for a husband and wife filing a joint return, provided
7 that a husband and wife filing separate tax returns
8 for a taxable year, for which a joint return could
9 have been filed by them, shall claim only the tax
10 credit to which they would have been entitled under
11 this section had a joint return been filed.

12 (2) The tax credit shall not exceed \$500 in aggregate for
13 all other taxpayers filing a return.

14 (b) The credit applies to payments made by the taxpayer
15 during the taxable year into a qualified lifelong learning
16 account that covers the taxpayer.

17 (c) As used in this section:

18 "Lifelong learning account" means an individual asset
19 account held by a trustee, custodian, or fiduciary approved by
20 the department of labor and industrial relations on behalf of
21 the employee in the state.

1 (d) For the purpose of this credit, the "net income tax
2 liability" means net income tax liability reduced by all other
3 credits allowed under this chapter. If the tax credits claimed
4 by a taxpayer exceed the amount of income tax payment due from
5 the taxpayer, the excess of credits over payments due shall be
6 refunded to the taxpayer; provided that tax credits properly
7 claimed by an individual who has no income tax liability shall
8 be paid to the resident individual; and provided further that no
9 refunds or payment on account of the tax credit allowed by this
10 section shall be made for amounts less than \$1.

11 (e) All claims, including any amended claims, for tax
12 credits under this section shall be filed on or before the end
13 of the twelfth month following the close of the taxable year for
14 which the credit may be claimed. Failure to comply with the
15 foregoing provision shall constitute a waiver of the right to
16 claim the credit.

17 (f) If a taxpayer claims any other tax credit or deduction
18 under title 14, including a deduction under section 162 or 213
19 of the Internal Revenue Code, to which state law conforms, for
20 premiums paid on a long-term care insurance policy, no credit
21 shall be claimed under this section for the same premium
22 payments.

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1 (g) The director of taxation shall prepare any forms that
2 may be necessary to claim a tax credit under this section. The
3 director may also require the taxpayer to furnish information to
4 ascertain the validity of the claims for a tax credit made under
5 this section and may adopt rules necessary to effectuate the
6 purposes of this section pursuant to chapter 91."

7 SECTION 4. Chapter 235, Hawaii Revised Statutes, is
8 amended by adding a new section to be appropriately designated
9 and to read as follows:

10 "§235- Employer's tax credit for lifelong learning
11 account matching funds paid for employees. (a) Subject to the
12 limitations of this section, an employer subject to taxation
13 under this chapter may claim a non-refundable tax credit for
14 payments made by the employer during the taxable year to make
15 matching payments to lifelong learning accounts for its
16 employees. The maximum tax credit shall not exceed \$500 during
17 the taxable year for each employee on whose behalf qualified
18 lifelong learning account matching payments are made.

19 (b) The credit allowed under this section shall be claimed
20 against the net income tax liability for the taxable year. If
21 the tax credit under this section exceeds the taxpayer's income

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1 tax liability, the excess of the credit may be carried forward
2 until exhausted.

3 (c) All claims, including any amended claims, for tax
4 credits under this section shall be filed on or before the end
5 of the twelfth month following the close of the taxable year for
6 which the credit may be claimed. Failure to comply with this
7 provision shall constitute a waiver of the right to claim the
8 credit.

9 (d) The director of taxation shall prepare any forms that
10 may be necessary to claim a credit under this section. The
11 director may also require the taxpayer to furnish information to
12 ascertain the validity of the claims for deductions made under
13 this section and may adopt rules necessary to effectuate the
14 purposes of this section pursuant to chapter 91.

15 (e) As used in this section:

16 "Lifelong learning account" means an individual asset
17 account held by a trustee, custodian, or fiduciary approved by
18 the department of labor and industrial relations on behalf an
19 employee in the state. "

20 SECTION 5. Chapter 394, Hawaii Revised Statutes, is
21 amended by adding a new section to be appropriately designated
22 and to read as follows:

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1 "§394- Lifelong learning accounts program. (a) There is
2 established the lifelong learning accounts program.

3 (b) For the purposes of this section, "lifelong learning
4 account" means an individual asset account held by a trustee,
5 custodian, or fiduciary approved by the department of labor and
6 industrial relations on behalf of an employee in the State. The
7 moneys in the individual asset account shall be used only to pay
8 education expenses incurred by or on behalf of the account
9 owner.

10 (c) The department shall use moneys appropriated for the
11 lifelong learning accounts program to:

12 (1) Encourage both lower-income and lower-skilled
13 healthcare, hospitality, and technology industry
14 workers to participate in a lifelong learning account;

15 (2) Encourage the establishment of lifelong learning
16 accounts in diverse geographic and economic areas,
17 among differing sizes of firms, and include healthcare,
18 hospitality, and technology industry workers in urban,
19 suburban, and rural areas of the State;

20 (3) Make technical assistance available to companies, and
21 make educational and career advising available to
22 individual participants;

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- 1 (4) Document the process and outcomes in the establishment
2 of lifelong learning accounts, and prepare a report
3 thereon;
- 4 (5) Partially offset the contribution of low-income
5 employees; and,
- 6 (6) In conformity with and subject to chapter 91, the
7 director of labor and industrial relations shall make
8 rules, not inconsistent with this chapter, which the
9 director deems necessary for or conducive to its proper
10 application and enforcement of this chapter.
- 11 (d) The department may enter into contracts with other
12 government agencies, non-profit organizations, or for-profit
13 firms in addressing the purpose and required activities of the
14 lifelong learning accounts program."

15 SECTION 6. This Act establishes a rapid response,
16 technical training development program and revolving fund within
17 the department of business, economic development, and tourism.
18 The goal of the program shall be to work with employers,
19 business and industry organizations, economic development
20 agencies, workforce development agencies, and training providers
21 to develop training programs for firms needing trained workers

1 in critical technical skill sets that cannot be adequately
2 addressed by existing training programs.

3 The rapid pace of changing technology in business and
4 industry is requiring companies and workers to seek frequent
5 skills upgrade training in order to remain competitive. This is
6 a particularly critical need for technical sectors of the
7 economy such as military contracting, high technology firms,
8 biotechnology, firms in life science, and digital media firms.
9 In addition, companies that are interested in expanding in, or
10 relocating to Hawaii, often face the challenge of finding a
11 trained technical workforce in a matter of months.

12 The community college system has taken steps to develop an
13 internal capacity to respond to rapid response training needs.
14 Because a broader effort is needed to identify and work with the
15 potential users of rapid response training, it is the intent of
16 this Act to supplement, rather than replace funds for rapid
17 response training that may be in the biennium budget of the
18 University of Hawaii.

19 SECTION 7. Chapter 201, Hawaii Revised Statutes, is
20 amended by adding a new part to be appropriately designated and
21 to read as follows:

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"Part . RAPID RESPONSE TRAINING

§201- Rapid response training program. (a) There is established the rapid response training program in the department of business, economic development, and tourism. The purpose of the program shall be to facilitate the development of a rapid response training capacity in Hawaii that will be capable of developing and delivering, for businesses and industries, short-term customized training programs, which cannot be provided in a timely fashion by existing training programs.

(b) The program shall achieve its purpose by:

(1) Working with the workforce development community, county economic development boards, business and industry associations, and other appropriate entities to identify and market rapid response custom training to the business community;

(2) Contracting with firms requesting customized training to provide for the development and delivery of such training; and,

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1 (3) Contracting with appropriate training providers for
2 the development of customized training programs and, upon
3 commencement of training delivery, collecting fees from
4 contracted firms for the training of their current or
5 prospective employees.

6 (c) The department shall contract for the development of
7 custom training programs with educational and training resources
8 in the public and private sectors throughout the State, as may
9 be appropriate to accomplish the purpose of the program.

10 (d) The rapid response training program shall place a
11 priority on developing training programs that provide high
12 skilled workers for jobs paying more than the median wage in new
13 or expanding businesses, and for which the rapid development and
14 delivery of training is important to the decision of the firm or
15 industry to make the proposed business investment. The program
16 shall also place priority on business expansions that propose to
17 train or retrain workers unemployed or facing unemployment due
18 to mass-layoff events.

19 (e) The program shall develop measures of program
20 performance to assess the impact of the training provided under
21 the rapid response program on the supply of high skilled workers.

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1 in the economy and the impact on the development of sustained,
2 new business activity.

3 §201- . Rapid response training revolving fund. (a)

4 There is established in the state treasury the rapid response
5 training revolving fund into which shall be deposited:

6 (1) Appropriations by the legislature;

7 (2) Training fees paid by firms or other agencies and
8 organizations related to training services;

9 (3) Donations and contributions made by private
10 individuals or organizations for deposit into the
11 fund; and,

12 (3) Grants or transfers of funds provided by governmental
13 agencies or any other source.

14 (b) Moneys in the rapid response training revolving fund
15 shall be used by the department:

16 (1) To contract with appropriate training providers for
17 the development of rapid response custom training
18 programs; and

19 (2) For administrative expenses including, but not limited
20 to, supplies, equipment, and services necessary for

1 the appropriate administration of the rapid response
2 training program."

3 SECTION 8. This Act establishes a statewide Kama`aina come
4 home program, that will assist the efforts of county, private
5 sector, and state organizations to attract out-of-state, former
6 Hawaii residents (Kama`aina) back into Hawaii's economy.

7 Pioneering efforts to attract Kama`aina back home have been
8 developed by county economic development boards and the
9 department of business, economic development, and tourism. The
10 Hawaii County economic development board, which originated the
11 "Kama`aina come home" brand, pioneered the concept in the 1990s
12 and ever since, the counties and the State have run occasional
13 events on the mainland to attract Kama`aina.

14 SECTION 9. Chapter 201, Hawaii Revised Statutes, is
15 amended by adding a new section to be appropriately designated
16 and to read as follows:

17 "§201- . Establishment of Kama`aina come home program.

18 (a) There is established within the department of business,
19 economic development, and tourism, the Kama`aina come home
20 program. The purpose of the program is to initiate new efforts,
21 and support existing efforts by the county economic development

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1 boards and other agencies, organizations, and businesses, to
2 attract former Hawaii residents with high-demand work skills
3 back into jobs in Hawaii's economy.

4 (b) The program shall pursue, but not be limited to, the
5 following activities to achieve the purpose of the program:

6 (1) Develop a joint effort between the department, the
7 county economic development boards, and major
8 employers to develop a series of periodic events in
9 selected mainland U.S. cities to inform, and recruit
10 back to the State, skilled Kama`aina based on actual
11 employment opportunities;

12 (2) Develop, or support the development of, a voluntary,
13 ongoing data base of high school seniors in Hawaii,
14 and establish methods to continuously track the
15 residency of these graduates for the purpose of
16 informing them about career opportunities in Hawaii.

17 (3) Work with the department of labor and industrial
18 relations to enhance that department's HIRENET job
19 search web site to include specific information on
20 Hawaii job opportunities and related information for
21 out-of-state Kama`aina.

1 (c) The department may enter into contracts with other
2 government agencies, the county economic development boards,
3 other non-profit organizations, or for-profit firms in
4 addressing the purpose and required activities of the program.

5 (d) The program shall establish measures of effectiveness
6 regarding the effectiveness of the high school senior and out-
7 of-state databases developed, the success of the out-of-state
8 events at filling jobs in Hawaii, and the effectiveness of the
9 HIRENET component to match out-of-state Kama`aina with jobs
10 under the program. "

11 SECTION 10. This Act improves the effectiveness of economic
12 development and workforce development in the State by relocating
13 certain key workforce development programs within the department
14 of labor and industrial relations to the department of business,
15 economic development, and tourism.

16 The need to merge economic development and workforce
17 development efforts stems from the changing role of workforce
18 development. In the past, federal and state workforce programs
19 were targeted towards specific client groups that found entry
20 into the labor market difficult. This included such populations
21 as school dropouts, the disabled, welfare recipients, and other
22 hard to hire groups. These groups are still important in

1 workforce development. However, the main thrust of workforce
2 development is undergoing a significant transformation from
3 serving primarily client groups to the broader goal of supplying
4 business's need for skilled, productive workers, especially in
5 industries emerging as new economic drivers in the twenty-first
6 century. This changing role has redirected workforce
7 development from a social service orientation to an economic
8 development orientation involving considerable collaboration
9 with the business community. Moreover, as the baby boom
10 generation enters retirement age the emerging critical issue for
11 economic development is ensuring skilled labor replacement and
12 growth to maintain a competitive growing economy. In effect,
13 workforce and economic development are now two sides of the same
14 coin. Each system maintains teams that deal with business,
15 develop growth strategies, and generate research and policy
16 recommendations. However, they are currently not doing these
17 within the scope of a single coordinated plan for economic and
18 workforce development. Nor are the activities of these systems
19 coordinated to draw on the expertise and additional resources of
20 one another.

21 A recent, September 2005 study by the National Governors
22 Association ("Aligning State Workforce Development and Economic

1 Development Initiatives"), finds that organization consolidation
2 can produce many benefits and lasting change that justify the
3 effort, such as unified authority and its potential for ensuring
4 more coordinated planning, implementation, and evaluation.
5 Other benefits include: consistency and alignment through one
6 broadly defined, clear mission; greater resources under one roof
7 that can be more flexibly and creatively applied; greater
8 accountability by all staff ultimately answering to one
9 organizational leader, and the potential for restructuring to
10 institutionalize desired changes in attitudes, behavior, and
11 outcomes that often motivate the effort and influence its
12 success.

13 The December 19, 2005 final report of the Governor's
14 Economic Momentum Commission also recommends the merger of the
15 workforce development programs of the department of labor and
16 industrial relations with the economic development programs of
17 the department of business, economic development, and tourism,
18 with the latter department providing strategic oversight and
19 coordination.

20 SECTION 11. Section 202-5, Hawaii Revised Statutes, is
21 amended to read as follows:

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1 §202-5 Organizational relationships. The workforce development
2 council is placed within the department of [~~labor and industrial~~
3 ~~relations~~] business, economic development and tourism for
4 administrative purposes and shall act in an advisory capacity to
5 the governor. "

6 SECTION 12. On July 1, 2008, the Workforce Development
7 Division and Office of Research and Statistics in the department
8 of labor and industrial relations, including rights, powers,
9 functions duties and positions, shall be transferred to the
10 Department of business, economic development, and tourism.

11 SECTION 13. All officers and employees whose functions are
12 transferred by this Act shall be transferred with their
13 functions and shall continue to perform their regular duties
14 upon their transfer, subject to the state personnel laws and
15 this Act.

16 No officer or employee of the State having tenure shall
17 suffer any loss of salary, seniority, prior service credit,
18 vacation, sick leave, or other employee benefit or privilege as
19 a consequence of this Act, and such officer or employee may be
20 transferred or appointed to a civil service position without the
21 necessity of examination; provided that the officer or employee

1 possesses the minimum qualifications for the position to which
2 transferred or appointed; and provided that subsequent changes
3 in status may be made pursuant to applicable civil service and
4 compensation laws.

5 An officer or employee of the State who does not have
6 tenure and who may be transferred or appointed to a civil
7 service position as a consequence of this Act shall become a
8 civil service employee without the loss of salary, seniority,
9 prior service credit, vacation, sick leave, or other employee
10 benefits or privileges and without the necessity of examination;
11 provided that such officer or employee possesses the minimum
12 qualifications for the position to which transferred or
13 appointed.

14 If an office or position held by an officer or employee
15 having tenure is abolished, the officer or employee shall not
16 thereby be separated from public employment, but shall remain in
17 the employment of the State with the same pay and classification
18 and shall be transferred to some other office or position for
19 which the officer or employee is eligible under the personnel
20 laws of the State as determined by the head of the department or
21 the governor.

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1 All appropriations, records, equipment, machines, files,
2 supplies, contracts, books, papers, documents, maps, and other
3 personal property heretofore made, used, acquired, or held by
4 the agencies, divisions, or offices transferred or placed for
5 administrative purposes under this Act shall be transferred with
6 the functions to which they relate.

7 All rules, policies, procedures, guidelines, and other
8 material adopted or developed by the agencies, divisions or
9 offices transferred or placed for administrative purposes under
10 this Act, shall remain in full force and effect until amended or
11 repealed by the department of business, economic development,
12 and tourism pursuant to chapter 91, Hawaii Revised Statutes.

13 All deeds, leases, contracts, loans, agreements, permits,
14 or other documents executed or entered into by or on behalf of
15 the agencies, divisions, or offices transferred or placed for
16 administrative purposes under this Act, shall remain in full
17 force and effect.

18 The department of business, economic development, and
19 tourism and the department of labor and industrial relations,
20 with the cooperation and assistance of the workforce development
21 council shall prepare an implementation plan for the

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1 reorganization of the State's economic development and workforce
2 development programs transferred or placed for administrative
3 purposes under this Act and shall submit a report to the
4 legislature not later than twenty days prior to the convening of
5 the 2008 regular session. The report shall include but not be
6 limited to the implementation plan, recommendations for any
7 additional statutory amendments that may be necessary to fully
8 effectuate the implementation plan and the purposes of this Act,
9 and proposed legislation containing the recommended statutory
10 amendments.

11 If any part of this Act is found to be in conflict with
12 federal requirements that are a prescribed condition for the
13 allocation of federal funds to the State, the conflicting part
14 of this Act is inoperative solely to the extent of the conflict
15 and with respect to the agencies directly affected, and this
16 finding does not affect the operation of the remainder of this
17 Act in its application to the agencies concerned. The rules
18 under this Act shall meet federal requirements that are a
19 necessary condition to the receipt of federal funds by the
20 State.

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1 SECTION 14. There is appropriated out of the general
2 revenues of the State of Hawaii the sum of \$1,000,000, or so
3 much thereof as may be necessary for fiscal year 2007-2008, and
4 the sum of \$1,000,000, or so much thereof as may be necessary
5 for fiscal year 2008-2009, to carry out the purposes of the
6 lifelong learning accounts program. The sums appropriated shall
7 be expended by the department of labor and industrial relations.

8 SECTION 15. There is appropriated out of the general
9 revenues of the State of Hawaii the sum of \$500,000 for fiscal
10 year 2007-2008, and the sum of \$500,000 for fiscal year 2008-
11 2009, to be paid into the rapid response training revolving
12 fund. The sum appropriated shall be expended by the department
13 of business, economic development, and tourism for the purposes
14 of the fund. The sum appropriated under this Act shall be in
15 addition to, and not replace, funds requested in the University
16 of Hawaii biennium budget for rapid response training program
17 development.

18 SECTION 16. There is appropriated out of the general
19 revenues of the State of Hawaii the sum of \$225,000, or so much
20 thereof as may be necessary for fiscal year 2007-2008, and the
21 sum of \$260,000 or so much thereof as may be necessary for
22 fiscal year 2008-2009, to carry out the purposes of the

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1 Kama`aina come home program. Of the sums appropriated, \$190,000
2 for fiscal year 2007-2008 and \$250,000 for fiscal year 2008-2009
3 shall be expended by the department of business, economic
4 development, and tourism for the purposes of the program. Of
5 the sums appropriated, \$35,000 for fiscal year 2007-2008 and
6 \$10,000 for fiscal year 2008-2009 shall be expended by the
7 department of labor and industrial relations for the purposes of
8 the program.

9 SECTION.17 Statutory material to be repealed is bracketed
10 and stricken. New statutory material is underscored.

11 SECTION.18. This Act shall take effect on July 1, 2007.

12
13 INTRODUCED BY: _____

14 BY REQUEST

JUSTIFICATION SHEET

DEPARTMENT: Business, Economic Development, and Tourism

TITLE: A BILL FOR AN ACT RELATING TO INNOVATION IN WORKFORCE DEVELOPMENT.

PURPOSE: The purpose of this bill is to establish certain programs and administrative changes that will position Hawaii to improve the skill level of the workforce and create a larger labor pool in an era of increasing labor shortages.

MEANS: Add a new part and a new section to chapter 201, two sections to chapter 235, and one section to chapter 394, and amend section 202-5, Hawaii Revised Statutes and appropriate funds.

JUSTIFICATION: The bill (1) establishes a lifelong learning program and tax credit in the department of labor and industrial relations to support upgraded training for the incumbent workforce; (2) establishes a rapid response training program and revolving fund in the department of business, economic development, and tourism in order to facilitate rapid custom training for high priority business investments; (3) establishes a state level, Kama`aina come home program in the department of business economic development, and tourism to attract former residents back into jobs in Hawaii's economy; (4) merges certain workforce and economic development programs of the departments of labor and industrial relations and business and economic development, and tourism in order to more effectively and efficiently build a high-skilled economy.

These programs and changes work with other elements of the Innovation Initiative to develop a competitive workforce with the skill levels to support high skill high wage industries in the future. Without efforts to raise skill levels, increase the labor supply respond faster to training needs and more efficiently administer state economic and workforce development efforts, Hawaii cannot

maintain, much less advance its standard of living.

Impact on the public: The program will significantly increase the skills and advancement potential of the current workforce, allow out of state Kama`aina to return to Hawaii, and increase employment opportunities through more rapid training and better management of workforce and economic development programs and resources.

Impact on the department and other agencies: The department of business economic development, and tourism will need to absorb considerably more responsibilities in the areas of workforce development and training. The department of labor and industrial relations will be better able to focus on the proper and effective regulation of employment conditions.

GENERAL FUND: \$1,725,000 for fiscal year 2007-2008
\$1,760,000 for fiscal year 2008-2009

OTHER FUNDS: None.

PPBS PROGRAM
DESIGNATION: BED 130

OTHER AFFECTED
AGENCIES: department of labor and industrial relations,
department of education.

EFFECTIVE DATE: July 1, 2007.