

I. IMPACT OF THE AMERICAN RECOVERY AND REINVESTMENT ACT OF 2009 ON THE DLIR



4/07/09 Briefing to Senate & House Committees on Labor



DEPARTMENT OF LABOR &
INDUSTRIAL RELATIONS

SUMMARY: DLIR / ARRA FUNDING

UI Total:	\$74.9 million + (estimated \$140 million for EUC Ext.)
WDD Total:	\$ 8.2 million (includes \$6.97 million to county areas)
OCS Total:	\$10.2 million
	<hr/>
	\$93.3 million

4/07/09 Briefing to Senate & House Committees on Labor

2



UNEMPLOYMENT INSURANCE

Type of Funding	Hawaii's Share	Provisions
1. Special Administration Transfer Funds	\$2.18 million (received week of March 1, 2009)	<ul style="list-style-type: none"> Limited to administration of incentive provisions, outreach to individuals who may now be eligible for UI benefits, improvement of UI benefit and tax operations, and staff-assisted reemployment services to UI claimants. Projected expenses include: new internet claim applications, staffing, software & hardware, EUC extension (Tier 2), alternate IVR site, direct deposit, appeal system modification, data validation and automated claimant registration. No time limit to obligate or expend.



UNEMPLOYMENT INSURANCE

Type of Funding	Hawaii's Share	Provisions
2. Special Modernization Transfer: Alternate Base Period	\$10.175 million Pending receipt	<ul style="list-style-type: none"> 2004 Hawaii law met alternative base period (ABP) requirement to qualify for 1/3 share and to be eligible for additional benefits feature for 2/3 share. Use limited to payment of benefits unless state legislature appropriates for administration of UI or ES.



UNEMPLOYMENT INSURANCE

Type of Funding	Hawaii's Share	Provisions
3. Special Modernization Transfer: (2 out of 4 additional benefit features needed to comply) 1) allow partial benefits 2) allow separation due to compelling family reasons 2 other features not chosen because requires major modification of benefit system and additional monies. - if an approved training, then additional 26 weeks of benefits - dependents allowance	\$20.3 million (pending receipt)	•Pending approval of Senate Bill 1568 for codification of partial benefits add separation requirements

Direct ARRA UI Funding: \$32.7 million



UNEMPLOYMENT INSURANCE

Type of Funding	Hawaii's Share	Provisions
4. Additional compensation (Sec. 2002) (funded by Fed. Gen. Revenues under ARRA)	\$25.00 a week per claimant \$42.25 million (estimated)	Additional \$25.00 a week compensation. Now have about 26,000 claimants (regular and EUC) = \$25 X 26,000 or \$650,000+ a week +approximately \$13 million phase out

**Subtotal w/FAC (Federal Additional Compensation)
ARRA UI Funding: \$74.9 million**



UNEMPLOYMENT INSURANCE

Type of Funding	Hawaii's Share	Provisions
5. Extension of Extended Unemployment Compensation (EUC) (Sec. 2001) (Funded by Federal General Revenues; Extended by ARRA)	\$112 million (estimated)	Extends the EUC payments to 6/05/10 (\$8 million per month X 14 months)



UNEMPLOYMENT INSURANCE

Type of Funding	Hawaii's Share	Provisions
6. Tier 2 EUC	Estimated \$2 million a month for 14 months = \$28 million	When UI rate is an average of 6.0+ for 3 months Regular: 26 weeks EUC: 20 weeks (1 st Tier) Present Total: 46 weeks benefit EUC: 13 weeks (2 nd Tier) With Projected 2 nd Tier: 59 weeks (Total UI Weeks)

TOTAL UI BENEFITS TO STATE THROUGH JULY 2010: \$214.9 million



WORKFORCE DEVELOPMENT

Type of Funding	Hawaii's Share	Provisions
1. Training and Employment Services Funds (TES)—WIA formula funds	Adult: \$1,234,406 Youth: \$2,918,025 Dislocated Worker: \$2,161,193 Total: \$6,313,624	For employment and training services to adults, dislocated workers, and youth. Youth program includes funds for summer jobs. Federal guidelines were issued in TEGL 14-08 on 3/18/09. Minimum 85% is mandated to be passed through to counties according to statutory formula: Oahu: \$3,118,218 / Hawaii: \$1,306,097 / Maui: \$577,601 / Kauai: \$319,667 Counties develop programs & activities
2. WIA National Emergency Grants (NEG)	Nationally available-\$200 million -Must apply for grant	USDOL awards funds to states to respond to plant closings, mass layoffs, and other worker dislocations where WIA formula funds are insufficient. DLIR has current NEGs for former Aloha/ATA employees & Molokai Ranch. (NEG for Del Monte Oahu ended in November 2008.)



WORKFORCE DEVELOPMENT

Type of Funding	Hawaii's Share	Provisions
3. Youth Build	Nationally, \$50 million is available through competitive process via RFP. Must apply for grant. (City anticipated to apply for this.)	A grant program for expanded services for at-risk youth, who gain education and occupational credentials while constructing or rehabilitating affordable housing.
4. Wagner-Peyser	\$1,426,246 (\$891,404 for reemployment services) (\$534,842 for other Wagner-Peyser services)	Federal guidelines were issued in TEGL 14-08 for use of funds. More guidelines on reporting and other issues are expected in future. Funds are provided for state employment services to help unemployment insurance claimants and other jobseekers get jobs through provision of labor market information, assessments, job matching, and related services.



WORKFORCE DEVELOPMENT

Type of Funding	Hawaii's Share	Provisions
5. Grants for High Growth and Emerging Industry Sectors	Nationally, \$750 million will be available, including \$500 million for "Green Jobs" training Must apply for grant.	Entire amount is for competitive job training grants for "high-growth and emerging industry sectors". Included is \$500 million for projects that prepare workers for careers in energy efficiency and renewal. (These funds are envisioned to fund the "Green Jobs Act of 2007".) Of the remaining \$250 million, priority will be given to projects preparing workers for careers in health care sector and other high growth / emerging industries. Conference report notes that training for wireless & broadband deployment is an eligible activity for high growth & emerging industry sectors.
6. Trade Adjustment Act (TAA)	Undetermined at this time Employers, unions, workers and State must apply.	Amends TAA statute to include firms providing "services" that are adversely affected by foreign trade and results in layoffs whose affected workers can get TAA benefits such as retraining. Until this amendment, only firms producing or distributing "goods" which were adversely affected by foreign trade could qualify for TAA certification.



WORKFORCE DEVELOPMENT

Type of Funding	Hawaii's Share	Provisions
7. Senior Community Services Employment Program (SCSEP)	\$507,317 (requires \$56,369 in-kind or other matching); requires no additional State funds.	Provide additional community service jobs to low-income older Americans age 55 and over. DLIR's request for exemption from procurement requirements of Chapter 103F was approved by SPO. As required, ARRA allocations to county areas are based on same formula as federal allotments to states: Oahu: \$324,053 Hawaii: \$76,844 Kauai: \$25,370 Maui: \$50,611 State-level oversight and reporting: \$30,439.

Total Direct Formula Funding: \$8.2 million

Nationwide Grants Total to Apply For: \$1 billion



OFFICE OF COMMUNITY SERVICES

Type of Funding	Hawaii's Share	Provisions
1. Weatherization Assistance Program (WAP)	\$4.0 million	<p>WAP enables low-income households to reduce energy costs by making their homes more energy efficient.</p> <p>Installation of energy saving devices and energy conservation education.</p> <p>Low-income families that are at or below 200% Federal Poverty Guidelines (FPGL) for Hawaii</p> <p>If serving multi-family housing units, 66% of families must meet 200% FPGL for Hawaii to be eligible</p> <p>Increased limit of \$6,500/unit</p>
2. The Emergency Food Assistance Program (TEFAP)	\$305,717 (monies obligated as of 4/01/09)	<p>TEFAP helps supplement the diets of low-income Americans, including elderly persons, by providing this target clientele with emergency food and nutrition assistance at no cost.</p> <p>Order submitted, awaiting shipment.</p>



OFFICE OF COMMUNITY SERVICES

Type of Funding	Hawaii's Share	Provisions
3. Community Services Block Grant (CSBG)	\$5.3 million	<p>Provides federal funds to states, territories and Indian tribes for distribution to eligible entities called Community Action Agencies (CAAs) in support of a variety of anti-poverty activities. Funds MUST go to the four CAAs - (1) Honolulu Community Action Program, (2) Maui Economic Opportunity, Inc., (3) Kauai Opportunity, Inc., and (4) Hawaii County Economic Opportunity Council.</p> <p>CAAs receiving funds under CSBG program are required to provide services and activities addressing employment, better use of available income, housing, nutrition, and emergency services.</p> <p>99% of the \$5.3 million MUST go to the CAAs. States are allowed 1% for the "benefits enrollment coordination activities relating to the identification and enrollment of eligible individuals and families in Federal, State and local benefit programs. All unused funds of the 1% allotment to the State SHALL be distributed to eligible entities as defined in section 673 (1) of such Act.</p> <p>Income eligibility increased from 125% of FPGL to 200% of FPGL for Hawaii through September 30, 2010.</p>

Total: \$10.2 million



Department of Labor and Industrial Relations'
Presentation to the 2009 Legislature

II. Update on Status of the Unemployment Trust Fund



Administration Themes

1. 2009 – Fund is solvent; NO NEED TO RAISE TAXES
(Keep money circulating in the economy to stimulate quicker recovery)
2. UI Taxes will automatically be adjusted under self-correcting legislative schedule based on fund balance in November of 2009.
 - Administration proposed HB 478/SB 945 – No hearing
4. Constantly monitoring to protect the fund
 - a. We oppose unnecessary withdrawals or diversion of monies from the fund.
 - b. For example, SB 1665, S.D.2 would divert fund monies to pay for Skilled Worker Center with UH and Community Colleges



Current Status of the Fund

- The fund balance at the end of 2008 was \$430 million. Projected @ \$142 million @ end of 2009.
- Average of \$17.7 million per month in benefit payouts for 2008; \$28 million in January & February 2009.
- ARRA adds \$30.475 million to fund balance (assuming passage of SB 1568)
- Taxes will automatically increase in 2010 to keep fund solvent.



HISTORICAL OVERVIEW



- The Unemployment Insurance program is a federal-state partnership created by Social Security Act of 1935, based upon federal law but administered by state employees under state law.
- Hawaii provides generous benefits to its claimants and ranks in the top tier.



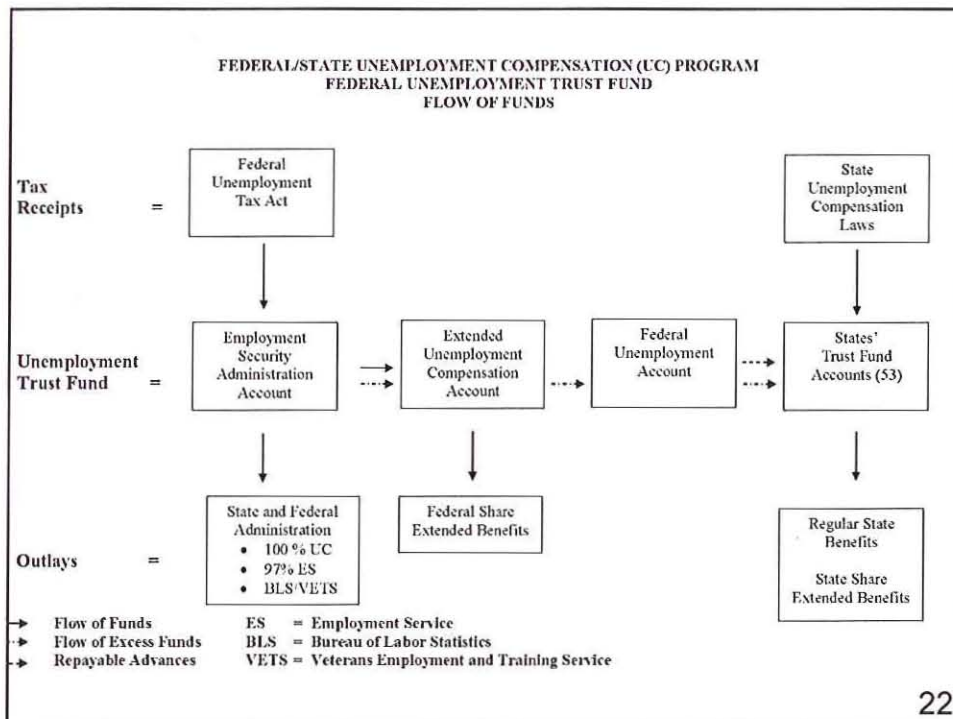
Federal Requirements

- Ensure conformity
- Determine administrative fund requirements and provide money to states for administrative costs
- Set policy, monitor state performance
- Provide assistance
- Hold and invest all money in the UI Trust Fund



Program Funding

- Funded entirely by employer taxes
 - Federal Unemployment Tax Act (FUTA) pays for:
 - administrative costs
 - federal share of extended benefits
 - federal supplemental & emergency programs
 - loans
- State Unemployment Tax Act (SUTA) HRS Ch. 383 pays for:
 - Unemployment Compensation benefits





PRE-ACT 110

Prior to 2008

- Adequate Reserve Fund (ARF) - 1.5
- Earnings Disregard - \$50
- Maximum Weekly Benefit Amount
70% of Average weekly wage
- Taxable Wage Base
100% of Average annual wage



ACT 110

For 2008, 2009, 2010

- Adequate Reserve Fund (ARF) - 1.0
- Earnings Disregard - \$150
- Maximum Weekly Benefit Amt 75% of average
weekly wage
- Taxable Wage Base - \$13,000
- If Adequate Reserve Fund falls below 1.0
- Taxable wage base 100% of average annual
wage (est. \$37,800 for 2010)



POST ACT 110

After 2010

- Adequate Reserve Fund (ARF) - 1.5
- Earnings Disregard - \$150
- Maximum Weekly Benefit Amt 70% of average weekly wage
- Taxable Wage Base 100% of average annual wage (est. \$37,900 for 2011)



Free UI Federal Loan Provisions

- Section 2004 of Public Law 111-5 waived payment of interest on loans made by states to continue payment of unemployment insurance benefits. The amendments provided that any interest due on loans during February 17, 2009 to December 31, 2010 is waived. Further, no interest accrues on any advances made during this period.
- No loans are needed for 2009 and 2010.



EXTENDED UNEMPLOYMENT COMPENSATION (EUC)



Emergency Unemployment Compensation (EUC)

Public Law 110-252, Supplemental Appropriations Act of 2008;
Public 110-449, Unemployment Compensation Extension Act;
and Public Law 111-5, American Recovery and Reinvestment Act
of 2009 (Assistance for Unemployed workers and Struggling
Families Act)

- Effective July 6, 2008 through December 31, 2009
- Final week ending 6/05/10
- 20 weeks of federally funded benefits for first tier state and
33 weeks for second tier states

EUC Current Workload (not regular UI claims)

- Initial Claims 350+ per week
- Weekly Claim 4,000+ per week
- Benefits Paid per month \$7 - 8 million



CONCLUSION

- We have been previously prudent in maintaining the trust fund.
- 2009: Fund is solvent. No need to raise taxes. Keep money circulating in the local economy to stimulate a quick recovery along with stimulus package.
- 2010: Present legislative schedule will automatically increase taxes in 2010.



Department of Labor and Industrial Relations'
Presentation to the 2009 Legislature

III. Meeting Current Needs and Preparing for the Future



A. UNEMPLOYMENT INSURANCE

1. Background of Increased Workload

- a. Prior to 2009, Hawaii enjoyed one of the lowest unemployment rates in the country. The average Insured Unemployment Rate (IUR) for 2007 and 2006 was 1.1%, in 2005 it was 1.2%. In 2008, unemployment crept higher and higher each month, starting from 1.27% in January and ending at 2.5% in December – a 100% increase in the regular state UI claims-load from 7,500 in January to nearly 15,000 at the end of 2008. Unfortunately, the trend continues in 2009, with IUR going up in February 2009 to nearly 3% and the claim workload rising to 17,700.
- b. In addition to the increase in regular claims, the Emergency Unemployment Compensation (EUC) extended benefits program beginning 7/08 retroactive to 5/06 and \$25 Federal Additional Compensation (FAC) beginning 2/22/09 also increased the workload.



2. Hiring Additional Staff

- a. 21% increase in UI staff by adding 33 new UI staff members from November 2008 to March 2009.
- b. To address the increased workload and anticipated retirements in our UI division, we are adding 20 additional staff in April 2009 and will continue our recruitment process.



3. System Expansion

- a. Expanded main frame files to process 16,000 payments per batch from previous capacity of 8,000
- b. Increased IVR lines by 48 for a total of 144 lines. The IVR system is now capable of handling nearly 2000 weeks claimed callers per hour.
- c. Replaced aging IVR equipment to minimize risk of the IVR system's failure. Also acquired back up servers and other equipment to minimize downtime in the event of hardware failure.



4. Automated UI Claim Info

- a. Serves as an interface between UI and WDD HireNet Hawaii System to expedite UI registration requirements.
- b. Reduces the time for claimants in creating an on-line resume and will allows claimants the added convenience of not having to register with WDD in person.



5. Internet Claims Filing Phase I

- a. Claimants will be able to file UI claims on the internet without having to wait to speak to a UI customer service representative. Approximately 50% of all claimants applying for UI will be able to use the internet system. During a calendar year, it is estimated that over 50,000 claimants will be able to file their claims by internet.
- b. A limited pilot test is scheduled for the Honolulu Claims Office on 4/8/09. Barring any major unforeseen problems, the Phase I project will be launched statewide on 4/20/09.
- c. The public will be provided a third option to file their UI claims – by telephone, in person or by internet. The wait time will be significantly reduced by increasing the available options for claims filing.



6. Internet Claims Filing Phase II

- a. Claims that could not be filed during the Phase I project will be targeted for Phase II, including reactivations, out-of-state, multiple state and partial claims.
- b. In a calendar year, another 50,000 claimants can use this filing system.
- c. Phase II will also allow claimants to file their claim certification for benefit payments over the internet. Currently, claimants file their weekly/biweekly certifications by telephone.
- d. Phase II will create a secured special claimant account to allow individuals access to their payment information.



B. WORKFORCE DEVELOPMENT

1. Effect of increased lay offs

- a. UI Claimants are required to look for work and register in HireNet Hawaii. (About 40% of total registrations are UI claimants.)
- b. **Not** all unemployed persons seeking work are UI claimants. Some have not filed for UI or have exhausted UI and continue to look for work.
- c. More *employed* persons look for work when businesses are unstable.
- d. Increase of **54%** or **23,128** registrations in December 2008, over December 2007.
- e. See Table, Registrations for Employment Assistance in December 2007 and December 2008. (Data is from HireNet Hawaii.)



**Registrations for Employment Assistance in
December 2007 and December 2008**

Registrations for Employment Assistance	4 Qtrs Ending December 2007	4 Qtrs Ending December 2008	Difference
TOTAL	43,057	66,185	23,128 (+54%)
UI Claimants*	15,984	26,814	10,830 (+68%)
Unemployed**	32,299	54,287	21,988 (+68%)
Employed**	10,699	11,456	757 (7%)
Veterans	3,657	5,608	1,951 (+53%)

* Self-reported UI claimants status.

** Unemployed and employed may not add to total because of duplicate registrations.



2. Persons served in federal Workforce Investment Act (WIA) decreased from December 2007 based on Hawaii's low unemployment rate.

- a. Allocation formula is largely based on unemployment rate; and HI's unemployment rate has been lower than national average.
- b. Number of adults and youth decreased by 26% in December 2008 compared to December 2007.
- c. See Table, Persons Served in WIA Programs December 2007 and December 2008.



**Persons Served in Workforce Investment Act (WIA) Programs
Dec. 2007 and Dec. 2008**

	4 Qtrs Ending Dec. 2007	4 Qtrs Ending Dec. 2008	Difference	
Total Adults	2,444	1,650	(794)	(-32%)
Total Youth	645	631	(14)	(-2%)
TOTAL	3,089	2,281	(808)	(-26%)



3. Staffing

- a. As of February 2009, WDD had 68 staff statewide that operated federal DOL programs.
- b. WDD has eight (8) local offices which serve the public, with at least one (1) per county.
- c. WDD is in the process of hiring 38 additional staff.



ARRA Plans	
	No. to be Served
Reemployment & Wagner-Peyser	10,000
* WIA	2,000
- Includes 1,000 Youth	
* SCSEP	54
TOTAL	12,054

* These are estimates and details are being developed for inclusion in contracts.



4. Capacity Building

- a. ARRA funds for Reemployment Services and Wagner-Peyser will enable 10,000 more UI claimants to be provided with assessments, job counseling, labor market information, and referrals to training.
- b. ARRA funds for WIA will enable about 2,000 more persons to be served, including about a thousand youth in summer employment this summer. (Detailed plans are in process of being negotiated.)
- c. ARRA funds for Senior Community Services Employment Program will provide 54 more low-income senior citizens with subsidized employment.
- d. Federal funds for above programs were authorized to DLIR for expenditure; DLIR is in process of contracting with counties and SCSEP providers. Targeting execution and obligation by April 22, 2009.