



**STATE OF HAWAII
DEPARTMENT OF LABOR AND INDUSTRIAL RELATIONS**

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February 11, 2013

To: The Honorable Sylvia Luke, Chair,
The Honorable Scott Nishimoto, Vice Chair,
The Honorable Aaron Ling Johanson, Vice Chair, and
Members of the House Finance Committee

Date: Wednesday, February 13, 2013
Time: 2:00 p.m.
Place: Conference Room 308, State Capitol

From: Dwight Y. Takamine, Director
Department of Labor and Industrial Relations (DLIR)

Re: H.B. No. 918 Relating to the Employment and Training Fund

I. OVERVIEW OF PROPOSED LEGISLATION

- H.B. No. 918 amends Section 383-128(b), Hawaii Revised Statutes (HRS), to allow employment and training fund moneys to be used to supplement insufficient funds allocated under the federal Workforce Investment Act (WIA) of 1998, Public Law 105-220, as amended.
- The proposed legislation clarifies that the moneys collected and deposited into the employment and training fund to pay interest for federal loans covering unemployment insurance benefits can be used as a stopgap measure to support workforce training activities for dislocated workers, youth, and low-income adults.
- The measure would help the DLIR to avoid the liability of up to \$7,145,877 in general funds for the administration of WIA federal funds and laying off more staff (3 to date).

The department strongly supports this Administration measure.

II. CURRENT LAW

HRS Section 383-128 established a special fund known as the Employment and Training Fund (ETF) whereby assessments collected from employers pursuant to Section 383-129 (.01 of taxable wages or up to \$39,600 this year) is deposited for education and training programs that assist private sector employers and

employees. Annually, DLIR collects approximately \$1.2m through the ETF assessment, except for calendar year 2012 when employers were not assessed for ETF.

Act 2, Session Laws of Hawaii (2011), and Act 6, Session Laws of Hawaii (2012), authorized the department to assess employers an additional amount in 2011 and 2012 respectively through the Employment and Training Fund, to cover the cost of interest for federal loans to pay unemployment insurance benefits when the Unemployment Trust Fund is depleted.

Act 2 and Act 6 gave the Director authority to waive the assessment for ETF if the federal government waived interest due on federal loans. Although \$211,000 was paid in interest for federal loans in December of 2010, the Director waived the ETF assessment for 2012, leaving about \$800,000 from the special assessment in 2011. This proposal clarifies that the department can use part of the moneys collected to help offset the restriction of Workforce Investment Act administrative funds.

III. COMMENTS ON THE HOUSE BILL

- WIA Programs are primarily intended to help adults, dislocated workers, youth, and other target groups with relevant training programs and intensive job counseling services designed to help them become better prepared for new careers. WIA funding also supports employers with rapid response services when they are undergoing plant closure or laying off employees.
- WIA offers a wide variety of programs that benefit companies through training assistance, access to tax credits, recruitment assistance, and other useful services. For workers, the WIA programs' primary goal is to support job seekers in acquiring upgraded skills through a variety of services that train them for the demands of the job market.
- HB 918 proposes to address adverse consequences imposed on the department as a result of a drastic reduction in Workforce Investment Act funding for state-level administrative purposes. Prior to 2011, federal law allowed a maximum of 15 % of total funds to be used for administration and management of the funds. Since 2011, Congress imposed a much lower cap of 5 percent, a 67 % decrease, which represents a loss of \$714,882 in funds for the Workforce Development Division in which to administer \$7,145,877 in WIA moneys. The balance of the funds, 95%, is contracted to the four county governments for service delivery as required

by statute.

- Despite the federal funding restriction, the State's responsibilities including program and financial management, oversight, administration, contracting, technical assistance, and reporting, remain the same. From July 1, 2011, the department has been utilizing carryover funds, laying off staff (3 to date), and temporary cost-cutting measures to meet its federal obligations.
- The department is working to achieve long-term solutions to the restriction of administrative funds. At the same time, it is requesting that it be allowed to use the employment and training fund moneys to supplement the reduced funding for statewide administration. Without the supplement, the department may be unable to fulfill all the federally mandated responsibilities, and this may subject the state to potential disallowed costs for non-compliance. Since disallowed costs can only be repaid by non-federal funds, there will be increased state liability for costs to be paid from state general revenue.

FINTestimony

From: mailinglist@capitol.hawaii.gov
Sent: Tuesday, February 12, 2013 7:45 AM
To: FINTestimony
Cc: f79a4c51@opayq.com
Subject: *Submitted testimony for HB918 on Feb 13, 2013 14:00PM*

HB918

Submitted on: 2/12/2013

Testimony for FIN on Feb 13, 2013 14:00PM in Conference Room 308

Submitted By	Organization	Testifier Position	Present at Hearing
Troy Abraham	Individual	Support	No

Comments:

Please note that testimony submitted less than 24 hours prior to the hearing, improperly identified, or directed to the incorrect office, may not be posted online or distributed to the committee prior to the convening of the public hearing.

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