

S.B. NO. 1149

JAN 24 2013

A BILL FOR AN ACT

RELATING TO THE EMPLOYMENT AND TRAINING FUND.

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

1 SECTION 1. The legislature finds that the purpose of the
2 Workforce Investment Act, through statewide and local workforce
3 investment systems, is to increase the employment, retention,
4 and earnings of participants, and increase occupational skill
5 attainment by participants, and as a result, improve the quality
6 of the workforce, and enhance the productivity and
7 competitiveness of Hawaii.

8 The legislature further finds that Act 2, Session Laws of
9 Hawaii 2011, and Act 6, Session Laws of Hawaii 2012, provided
10 for a cost effective mechanism to pay interest on moneys
11 borrowed from the federal government to pay unemployment
12 insurance benefits. The employment and training fund was
13 identified as the only cost effective mechanism available to
14 collect an assessment from employers during 2011. If no
15 interest payments were required in 2011, the intent of Act 2 was
16 to have the aggregate amount collected for the purpose of
17 interest payments to constitute the total employment and
18 training assessments for calendar year 2012. However, a small

1 amount of the assessment was used to pay interest due for moneys
2 borrowed from the federal government in December 2010.

3 The legislature further finds that the reduction in
4 Workforce Investment Act funding for administrative purposes has
5 adversely affected the ability of the department of labor and
6 industrial relations to carry out statewide administrative
7 functions and to support the local workforce systems.

8 The purpose of this Act is to allow employment and training
9 fund moneys to be used to supplement insufficient funds
10 allocated under the federal Workforce Investment Act of 1998,
11 Public Law 105-220, as amended, as a temporary, stopgap measure
12 during the next year until a longer-term solution is derived.
13 The purpose of this Act is also to clarify that the moneys
14 collected as part of the employment and training assessment for
15 the purpose of paying interest assessments in 2011 are used by
16 the employment and training fund to support workforce training
17 activities and further the economic recovery of the State.

18 SECTION 2. Section 383-128, Hawaii Revised Statutes, is
19 amended by amending subsection (b) to read as follows:

20 "(b) The moneys in the employment and training fund may be
21 used for funding:

- 1 (1) The operation of the state employment service for
2 which no federal funds have been allocated;
- 3 (2) Business-specific training programs to create a more
4 diversified job base and to carry out the purposes of
5 the new industry training program pursuant to section
6 394-8;
- 7 (3) Industry or employer-specific training programs where
8 there are critical skill shortages in high growth
9 occupational or industry areas;
- 10 (4) Training and retraining programs to assist workers who
11 have become recently unemployed or are likely to be
12 unemployed;
- 13 (5) Programs to assist residents who do not otherwise
14 qualify for federal or state job training programs to
15 overcome employment barriers; ~~and~~
- 16 (6) Training programs to provide job-specific skills for
17 individuals in need of assistance to improve career
18 employment prospects~~[-]~~; and
- 19 (7) For the period July 1, 2013, to June 30, 2014, costs
20 to administer, manage, report, and oversee title I
21 programs funded under the federal Workforce Investment


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1 Act of 1998, Public Law 105-220, as amended, for which
2 insufficient federal funds were allocated."

3 SECTION 3. If any part of this Act is found to be in
4 conflict with federal requirements that are a prescribed
5 condition for the allocation of federal funds to the State, the
6 conflicting part of this Act is inoperative solely to the extent
7 of the conflict and with respect to the agencies directly
8 affected, and this finding does not affect the operation of the
9 remainder of this Act in its application to the agencies
10 concerned.

11 SECTION 4. Statutory material to be repealed is bracketed
12 and stricken. New statutory material is underscored.

13 SECTION 5. This Act shall take effect on July 1, 2013;
14 provided that on July 1, 2014, section 2 of this Act shall be
15 repealed, and section 383-128, Hawaii Revised Statutes, shall be
16 reenacted in the form in which it read on December 31, 2010.

17
18 INTRODUCED BY: 

19 BY REQUEST

Report Title:

Workforce Investment Act; Department of Labor and Industrial Relations; Employment and Training Fund

Description:

Allows Employment and Training Fund moneys collected for the purpose of paying interest assessments on loans to the unemployment trust fund to be used for a period of one year for costs to administer, manage, report, and oversee Title I programs funded under the federal Workforce Investment Act of 1998 for which insufficient federal funds were allocated. Effective July 1, 2013.

The summary description of legislation appearing on this page is for informational purposes only and is not legislation or evidence of legislative intent.

JUSTIFICATION SHEET

SB. NO. 1149

DEPARTMENT: Labor and Industrial Relations

TITLE: A BILL FOR AN ACT RELATING TO THE EMPLOYMENT AND TRAINING FUND.

PURPOSE: To allow Employment and Training Fund moneys to supplement insufficient funds allocated under the federal Workforce Investment Act of 1988, Public Law 105-220, for administration of the federal funds.

MEANS: Amend section 383-128(b), Hawaii Revised Statutes.

JUSTIFICATION: Title I of the federal Workforce Investment Act provides workforce preparation and employment services for dislocated workers and low-income youths and adults.

The federal law allows a maximum **15 percent** of total funds to be used for administration and management of the funds. However, Congress imposed a much lower cap of **5 percent, a 67 percent decrease**, from July 1, 2011. The balance of the funds (95 percent) is contracted to the four county governments for service delivery, as required by statute.

Despite the funding restriction, state responsibilities have remained the same: program and financial management, oversight, administration, contracting, technical assistance, and reporting. From July 1, 2011, carryover funds from the prior year partially compensated for the shortfall, and expenses were drastically reduced through various cost-cutting measures. These temporary solutions enabled the department to meet most of its basic federal

obligations, but the depletion of the carryover and adverse effects of cost-cutting measures will result in the department being unable to fulfill all mandated responsibilities from July 1, 2013. That inability jeopardizes the integrity of funds being used and subjects the state to potential disallowed costs for non-compliance. Because 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.

Longer-term solutions are being sought to streamline functions and reduce costs, such as reorganization of the current administrative structure and possible revisions to the local service delivery framework. However, these measures may not be sufficient or completed by July 1, 2013. Therefore, the department is proposing this bill to use Employment and Training Fund moneys to supplement insufficient funds allocated under the Workforce Investment Act for costs of statewide administration.

Impact on the public: Dislocated workers, and low-income adults and youth will continue to be served through job training and other employment activities. A portion of Employment and Training Fund moneys will be unavailable for training programs.

Impact on the department and other agencies: The department will be able to implement all required functions and reduce potential liability for disallowed costs. It also would be in a better position to carry out its mission of developing a qualified workforce.

GENERAL FUNDS: None.

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OTHER FUNDS: Federal.
PPBS PROGRAM
DESIGNATION: LBR 111.
OTHER AFFECTED
AGENCIES: None.
EFFECTIVE DATE: July 1, 2013.