



UNIVERSITY OF HAWAII SYSTEM

Legislative Testimony

Testimony Presented Before the
Senate Committees on
Higher Education, and
Labor

February 10, 2009 at 1:15 p.m.

by

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SB 1665 – RELATING TO HIGHER EDUCATION

Chairs Tokuda and Takamine, Vice Chairs Sakamoto and Taniguchi, and Members of the Committees:

The University of Hawaii Community Colleges have been the State's primary resource to prepare new workers and retrain the existing workforce. As such, we believe we can play a critical role in the economic recovery and revitalization of the State, as stated in the bill.

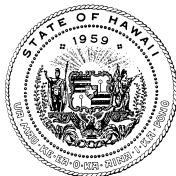
As our economy has slowed, we see an increasing number of individuals enrolling at our campuses to improve their skills and acquire the education necessary to become more competitive in the workplace. Community College enrollment has increased ten percent over the past year.

We support the intent of the bill to provide additional resources to the Community Colleges to expand the scope and focus of the Rapid Response Training initiative started with legislative support over the past few years. Given the economic situation facing the State, we believe there will be more individuals and businesses calling for the training we provide through that initiative than we currently provide with out limited resources.

We believe that for the State to successfully weather the current crisis, as well as prepare for the future, now is the time to invest in the training and technical support to small businesses needed to adopt new practices and technologies to improve their operational efficiency. While Hawaii currently has a growing rate of unemployment, an examination of our demographics suggests that this is a temporary phenomenon. As the economy improves over the next several years, we believe that employers will again face severe labor shortages as an increasing number of our aging population leave the workforce during the next decade. Now is the time to take steps to be prepared for that future.

One source of support noted in the bill is the Reed Act resources currently available in the State. It is our understanding that these federal funds have limitations on their use that prohibit it being used for direct training. However, it can be used for infrastructure in the State that supports state workforce development efforts and employment services. We believe it may be possible for a portion of those funds to be used in a manner that will free less restrictive funds to conduct the training and other services described in the bill.

We will be glad to work with other offices in the state to determine how best to apply a greater portion of the State's resources to meet the training and technical assistance tasks essential to speed the pace of our economic recovery and revitalization.



STATE OF HAWAII
DEPARTMENT OF LABOR AND INDUSTRIAL RELATIONS

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To: The Honorable Jill N. Tokuda, Chair
and Members of the Senate Committee on Higher Education

The Honorable Dwight Y. Takamine, Chair
and Members of the Senate Committee on Labor

Date: Tuesday, February 10, 2009

Time: 1:15 P.M.

Place: Conference Room 225
State Capitol

From: Darwin L.D. Ching, Director
Department of Labor and Industrial Relations

Re: S.B. 1665, Relating to Education

I. OVERVIEW OF PROPOSED LEGISLATION

S.B. 1665 proposes to appropriate Reed Act funds to enable Hawaii's community colleges to establish a skilled worker and business development center. The center would provide workforce training to employers and their employees to adapt to changing times and new technology.

II. CURRENT LAW

Section 383-128, H.R.S., allows Reed Act funds to be used for payment of Unemployment Insurance (UI) benefits and expenses incurred for administration of UI and public employment offices, pursuant to an appropriation by the legislature specifying purposes and amounts appropriated.

Act 190 during the 2006 legislative session allocated \$10 million from Reed Act funds to the four counties in Hawaii and the State Workforce Development Council for various employment and employment-related services. The law was amended by Act 123 during the 2007 legislative session to provide an allocation to the State Department of Labor and Industrial Relations for reporting, contracting, and oversight of use of the funds and reduced the allocations to counties by a pro-rata share so that the total appropriation

remained at \$10 million.

During the 2008 legislative session, another \$5.6 million was appropriated by Act 189, which allocated Reed Act funds to the Counties of Hawaii and Maui and to the State Department of Labor Industrial Relations for additional workforce services, including services for an increasing number of dislocated workers.

III. SENATE BILL

The Department opposes this bill for the following reasons:

1. Reed Act funds cannot be used for job training because it is not a cost of administering either the state's UI law or its public employment offices. Federal policy clarified the prohibition on job training and conversations with federal staff confirmed it. The exception is if the funds are used to train employees of the UI or public employment offices.
2. The bill specifies that community colleges will expend the funds, contrary to discussions with federal staff, who confirmed that only the Department of Labor and Industrial Relations, as the state agency for UI trust funds, can expend and draw down the funds.
3. With a diminishing balance in UI trust funds, non-appropriated Reed Act funds should be preserved toward future payment of UI claims.

Date of Hearing: February 10, 2009

Committee: Senate Higher Education/Labor

Department: Education

Person Testifying: Patricia Hamamoto, Superintendent

Title: S.B. No. 1665, Relating to Higher Education

Purpose: Enhances the training capacity of Hawaii's community colleges by establishing a skilled worker and business development center to provide workforce training to meet the rapidly evolving needs of both employers and employees; appropriates Reed Act funds.

Department's Position: The Department of Education (Department) supports S.B. No. 1665 and recognizes the importance of developing a skilled workforce for business sustainability. However, the Department defers to Hawaii's community colleges, the identified expending agency, as to funding priority.