



Employment and Training Fund Program (ETF) Program Year 2010-2011

**Department of Labor and Industrial Relations
Workforce Development Division
830 Punchbowl Street, Room 329
Honolulu, HI 96813**

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ETF's purpose is to "assist employers and workers through innovative programs, including, but not limited to, business-specific training, upgrade training, new occupational skills, management skills, and support services to improve the long-term employability of Hawaii's people." In contrast to federal job training programs that serve only individuals who face employment barriers, ETF serves the training needs of the business community, which are critical to the continued economic viability of the State. The program is able to provide businesses the opportunity to upgrade the skills of the existing workforce from entry-level to top management and enables workers to attain the job skills necessary to keep pace with local, national, and international competitors. These special funds are targeted specifically to help keep Hawaii's workforce competitive and employed at the cutting edge of their chosen profession and occupations.

There are currently three avenues for employers and/or employer groups to access ETF funds: 1) Statewide and Countywide Training Grants through ETF's Macro Program; 2) Existing short-term, non-credit training through ETF's Employer Referral Program also known as the Micro Program; and, 3) Participation in a workforce training site through the Volunteer Internship Program.

The Macro Program provides grants to business associations and consortia to develop customized training projects where there are critical skill shortages. These grants provide "seed money" for innovative education and training curricula and program design. Each plan must include, but is not limited to, a needs assessment, project guidelines, marketing and delivery plan, and a self-sufficiency component to ensure the continuation of training beyond the grant period. Business and industry consortia are required to provide at least 50% cash and/or in-kind contributions to strengthen their commitment to the project. To date, approximately 19,143 individuals have been trained through the macro program.

The micro program, also known as the *Employer Referral Program*, offers training opportunities to individual businesses. Unlike the macro program, individual employers need not submit a comprehensive plan to develop new training curricula, program design, and instruction. This program enables employers to register their workers for existing short-term, non-credit training courses offered by ETF approved public and private training providers in order to upgrade employees' skills and capabilities to meet the competitive demands of the workplace. The program is open to all within a company: owners, managers, supervisors, and workers. The ETF will pay 50% of the cost (up to a \$500 tuition

cap) for any course taken that meets its eligibility criteria. To date, approximately 70,034 individuals have been trained through the micro program.

Other states such as Florida and California have legislatively mandated a fifty percent in-kind contribution towards training costs. To balance the responsibilities and partnership between state government and business sectors, Hawaii's legislators followed similar guidelines which were intended to develop a collaborative approach in workforce preparation and strengthen policies and programs that meet Hawaii's job market needs. In 2002, the legislature made the ETF program permanent while lowering the assessment rate from .05 percent to .01 percent of taxable wages (Act 248). The legislature also required employers who access ETF funds for training to contribute fifty percent or more of the cost of assistance.

FISCAL YEAR (FY) 2011 RESULTS

The ETF's net available funds consisted of a carryover balance from FY 2010 of \$1,219,576 plus \$1,474,145 in net revenues. This amount, minus \$525,798 in expenditures and \$1,145,616 in obligated funds left a balance of \$1,022,307 as of June 30, 2011 that was set aside for any interest payments due for federal cash advances borrowed for the unemployment compensation fund.

From July 1, 2009 through December 31, 2010, a temporary moratorium was placed on the funding of all training activities under ETF's *Employer Referral/Micro Program* due to a significant reduction in ETF revenues resulting from the following:

- The passage of Act 110, enacted during the 2007 Legislative session, which lowered the unemployment insurance taxable wage base from \$35,300 to \$13,000 from January 1, 2008 through December 31, 2010. Since ETF monies are generated through an employer assessment collected together with unemployment insurance, this reduced incoming revenues by approximately 60%; and,
- Act 79, signed into law on May 28, 2009, transfers 5% of revenues and any interest income earned from special and revolving funds, including the ETF Program, into the general fund from July 1, 2009 through June 30, 2015 to close part of the State's budget gap. This further reduced ETF revenues by an additional 18% to 20%.

Although a temporary moratorium was in place on the ETF Employer Referral (Micro) Program, the following macro grants continued operations to develop a workforce versed in environmentally sustainable strategies.

1. The Building Industry Association of Hawaii Construction Training Center of the Pacific and the Sustainable Development Training

Institute was given \$100,000, to develop a green building skills training program for three (3) progressive construction job path levels (pre-apprenticeship, apprenticeship, and journey level) for the following key trades involved in green residential and non-residential new construction, rehabilitation, and deconstruction project: General Contractors; Laborers and Operating Engineers; Carpenters; and, Masons. 97 individuals were trained, and with curriculum developed through this grant, the BIA expects to train approximately 425 pre-apprentices and 150 journey workers in *Green Building Fundamentals* each year.

2. The University of Hawaii at Manoa, Outreach College, Building Owner and Managers Association of Hawaii, and Hawaii Building Engineers Association used \$44,616 to establish a green training and certification program for building owners, property managers and building operators. 62 completed their Building Operator Level 1 certification and the curriculum developed continues to be used on Oahu with plans for expansion to Kauai by 2012.
3. The Hawaii Farm Bureau Federation and University of Hawaii College of Tropical Agriculture and Human Resources was awarded \$100,000 to establish an *On-Farm Food Safety Certification Training Program* to train fifty (50) farm operators/employers statewide to pass food safety audits and help producers meet demand for Produce from certified farms. The end result of this project will be greater sustainability due to a reduced dependence on imported food; this will also create a boost for the local economy as dollars stay in Hawaii. The program is scheduled to end in PY 2011.

An increase in revenues occurred beginning in April 2010 due to the passage of Act 2 (SLH 2010), which resulted in an increase in the taxable wage base from \$13,000 in 2008 and 2009 to \$34,900 (90% of the average annual wage) for calendar year 2010. As a result, sufficient funding levels were available to restore funding to the Employer Referral/Micro Program and ETF extended agreements with fourteen (14) of its existing training providers for an additional year to offer services in calendar year 2011.

During this initial 6-month window, ETF's fourteen (14) authorized training providers delivered a broad array of training opportunities. From January 15, 2011 through June 30, 2011, 346 registrations took place and the ETF served a total of 259 participants and 102 businesses statewide. Computer related courses continue to be the most requested by businesses with 147 classes taken from this training category. This represented 42% of all enrollments in the various training course categories funded by ETF. Computer related courses frequently requested by Hawaii's employers included: basic, intermediate, and

advanced courses in the more popular computer applications, such as word processing, spreadsheets, database, and presentations, computer-aid design (CAD), desktop publishing, networking, programming, and Internet/web page design. Other popular courses requested by employers were food service/safety (36%), communication and soft skills training (9%), project management (7%), and business/management (3%). Healthcare, Agriculture and Landscaping, and Maintenance and Repair comprised the remaining 3% of training categories.

Although the first quarter of 2011 (January 1, 2011-March 31, 2011) reflected low numbers, a 139% increase in the rate of usage occurred in the subsequent quarter (April 1, 2011-June 30, 2011), which suggests that initial figures were due to program start-up and promotion of ETF fund availability to employers.

Additionally, due to the insolvency of the unemployment trust fund, Act 2 (SLH 2011) was enacted in February 2011 which amended HRS Chapter 383-128 to authorize the use of ETF funds to support payment of interest due on Title XII advances made under the provisions of Section 1202(b) of the Social Security Act, as amended, to the unemployment compensation fund. Act 2 also amended HRS Chapter 383-129 which authorized an increase in the employment and training assessment rate in increments of .01 per cent for calendar year 2011. Therefore, revenue reported from January 1, 2011 through June 30, 2011 reflects collections based on an assessment rate of .02 percent of taxable wages, \$211,151 of which was used to pay interest due on Title XII advances made to the unemployment compensation fund on September 30, 2011.

Beginning January 1, 2011, another mechanism for accessing ETF funds was added with the continued support of the Volunteer Internship Program (VIP). The VIP is a DLIR initiative designed to stimulate job growth in Hawaii. This innovative program was developed through Reed Act funding in early 2010 in response to Hawaii's growing job loss. VIP allows job seekers, especially those receiving unemployment insurance (UI) benefits, to volunteer at businesses to gain workforce training. During the course of the internship, claimants are exempt from their three weekly job searches and continue to receive their UI benefits. Upon successful completion of training, interns receive certification of the job skills acquired and consideration for employment. Benefits to businesses include: pre-screening of qualified individuals and limited medical coverage for injuries sustained by an intern. The opportunity to train through VIP is limited to 16-32 hours per week for between 4-8 weeks.

Since program inception (February 2010), 489 individuals received skills assessment services. Of these, 310 were placed at businesses as VIP trainees, 37 (approximately 12% of all internships) were hired by their business sponsor, and 70 (over 14% of all individuals receiving skills assessment services) were reported as hired elsewhere. In total 107 (nearly 22% of individuals who received services through VIP) were reported to have obtained employment.

For the current period of funding, from January 1, 2011 through June 30, 2011, a total of 99 individuals received skills assessments services. Of these, 89 individuals were placed at businesses as VIP trainees, 11 or nearly 11% of all interns were hired by their business sponsor and 21 or nearly 21% of all individuals receiving skills assessment services were reported as hired elsewhere. In total, 33 or nearly 33% of individuals who received services through VIP were reported to have obtained employment.