
A BILL FOR AN ACT

RELATING TO INNOVATION IN WORKFORCE DEVELOPMENT.

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

1 PART I

2 SECTION 1. The legislature finds that Hawaii's desire for
3 economic growth that benefits all residents depends on building
4 our state's human resources.

5 Realization of Hawaii's longstanding desire for economic
6 diversification and sustainability turns on applying the State's
7 high skilled resources to the creation and adoption of
8 innovation across the economy.

9 This Act is part of an initial package of initiatives
10 focusing on innovation introduced for the 2007 regular session.
11 This package is intended to achieve:

12 (1) A twenty-first century workforce with science,
13 technology, engineering, math, and problem-solving
14 skills sufficient to ensure innovation and
15 sustainability of Hawaii's economy;

16 (2) Higher education institutions as "drivers" for
17 innovation;



- 1 (3) Continued public investment in the State's innovation
- 2 infrastructure;
- 3 (4) Addressing the capital gap for Hawaii's emerging
- 4 technology and creative industry companies;
- 5 (5) Opportunities for incumbent workers to engage in skill
- 6 building;
- 7 (6) Residents and businesses with international exposure,
- 8 orientation, and skills to interact with and compete
- 9 in a global economy;
- 10 (7) An innovation environment that encourages the creation
- 11 of new products and services that command global
- 12 market share; and
- 13 (8) Analytical capability to assess policy performance and
- 14 progress toward innovation economy objectives.

15 In particular, this Act provides for two initiatives:

- 16 (1) The establishment of a rapid response training program
- 17 and revolving fund in the department of business,
- 18 economic development, and tourism to facilitate rapid
- 19 custom training for high priority business
- 20 investments; and
- 21 (2) The merging of certain workforce and economic
- 22 development programs of the departments of labor and



1 industrial relations and business, economic
2 development, and tourism to more effectively and
3 efficiently build a high-skilled economy.

4 Hawaii completed a year of solid economic and workforce
5 growth in 2006. For most of 2006, Hawaii also enjoyed the
6 lowest unemployment rate in the nation. However, according to
7 the state workforce development council, the current shortage
8 may be a relatively modest precursor of a more serious long-term
9 shortage in the future. The workforce development council
10 expects that this will become most evident after the baby boom
11 generation becomes eligible for full social security retirement
12 around 2012. But already parts of the economy in which pensions
13 will support earlier retirement, such as government, are
14 beginning to see an upturn in retirements. The duration of this
15 coming shortage will be measured in decades not years. That is
16 because the tail end of the baby boom generation will not reach
17 the age of full social security retirement benefits (under
18 current rules) until about 2031.

19 The latest projections from the department of labor and
20 industrial relations, research and statistics office anticipate
21 that reasonable expectations for growth in the economy, coupled
22 with the need to replace workers leaving the workforce, will



1 create a demand for about twenty-four thousand additional
2 workers in Hawaii per year between 2004 and 2014. This is about
3 twice the rate at which our youth will be arriving at workforce
4 age. Moreover, 2014 is only two years into the baby boom
5 retirement era. Retirements and separations will tend to
6 accelerate through the following two decades.

7 In addition to the approaching, long-term labor shortage,
8 studies point out two major weaknesses about Hawaii's workforce
9 performance compared with top performing states.

10 First, Hawaii high school graduates are not adequately
11 prepared for post-secondary training. A range of test score
12 results for Hawaii students from eighth grade through high
13 school are significantly lower than the top states. The rates
14 at which high school graduates are enrolling in and completing
15 post-secondary training also need to improve according to data
16 collected by the National Center for Public policy and Higher
17 Education.

18 Second, there is an inadequate focus on the need to
19 increase the skill levels of incumbent workers to meet the
20 rising skill need of an economy driven by more technology and
21 competition. The workforce development council forum in the
22 fall of 2006 concluded that employers need more information



1 about training options and assistance in meeting the need to
2 improve the skills of their workers.

3 Coupled with the emerging worker shortage, the weaknesses
4 in preparing and upgrading our workforce have serious
5 implications for Hawaii's ability to support a more knowledge-
6 and innovation-intensive economy or raise its standard of living
7 through a significant increase in higher paying jobs.

8 PART II

9 SECTION 2. This part establishes a rapid response,
10 technical training development program and revolving fund within
11 the department of business, economic development, and tourism.
12 The goal of the program shall be to work with employers,
13 business and industry organizations, economic development
14 agencies, workforce development agencies, and training providers
15 to develop training programs for firms needing trained workers
16 in critical technical skill sets that cannot be adequately
17 addressed by existing training programs.

18 The rapid pace of changing technology in business and
19 industry requires companies and workers to seek frequent skills
20 upgrade training to remain competitive. This is a particularly
21 critical need for technical sectors of the economy such as
22 military contracting, high technology firms, biotechnology,



1 firms in life science, and digital media firms. In addition,
2 companies that are interested in expanding in, or relocating to
3 Hawaii, often face the challenge of finding a trained technical
4 workforce in a matter of months.

5 The community college system has taken steps to develop an
6 internal capacity to respond to rapid response training needs.
7 Because a broader effort is needed to identify and work with the
8 potential users of rapid response training, it is the intent of
9 this Act to supplement, rather than replace funds for rapid
10 response training that may be in the biennium budget of the
11 University of Hawaii.

12 SECTION 3. Chapter 201, Hawaii Revised Statutes, is
13 amended by adding a new part to be appropriately designated and
14 to read as follows:

15 **"PART . RAPID RESPONSE TRAINING**

16 **§201- Rapid response training program.** (a) There is
17 established the rapid response training program in the
18 department of business, economic development, and tourism. The
19 purpose of the program shall be to facilitate the development of
20 a rapid response training capacity in Hawaii that will be
21 capable of developing and delivering, for businesses and
22 industries, short-term customized training programs, which



1 cannot be provided in a timely fashion by existing training
2 programs.

3 (b) The program shall achieve its purpose by:

4 (1) Working with the workforce development community,
5 county economic development boards, business and
6 industry associations, and other appropriate
7 entities to identify and market rapid response
8 custom training to the business community;

9 (2) Contracting with firms requesting customized
10 training to provide for the development and delivery
11 of such training;

12 (3) Contracting with appropriate training providers for
13 the development of customized training programs; and

14 (4) Upon commencement of training delivery, collecting
15 fees from contracted firms for the training of their
16 current or prospective employees.

17 (c) The department of business, economic development, and
18 tourism shall contract for the development of custom training
19 programs with educational and training resources in the public
20 and private sectors throughout the state, as may be appropriate
21 to accomplish the purpose of the program.



1 (d) The rapid response training program shall place a
 2 priority on developing training programs that provide high-
 3 skilled workers for jobs paying more than the median wage in new
 4 or expanding businesses, and for which the rapid development and
 5 delivery of training is important to the decision of the firm or
 6 industry to make the proposed business investment. The program
 7 shall also place priority on business expansions that propose to
 8 train or retrain workers who are unemployed or facing
 9 unemployment due to mass-layoff events.

10 (e) The program shall develop measures of program
 11 performance to assess the impact of the training provided under
 12 the rapid response program on the supply of high skilled workers
 13 in the economy and the impact on the development of sustained,
 14 new business activity.

15 **§201- Rapid response training revolving fund. (a)**

16 There is established in the state treasury the rapid response
 17 training revolving fund, into which shall be deposited:

- 18 (1) Appropriations by the legislature;
- 19 (2) Training fees paid by firms or other agencies and
- 20 organizations related to training services;



1 (3) Donations and contributions made by private
2 individuals or organizations for deposit into the
3 fund; and

4 (4) Grants or transfers of funds provided by governmental
5 agencies or any other source.

6 (b) Moneys in the rapid response training revolving fund
7 shall be used by the department:

8 (1) To contract with appropriate training providers for
9 the development of rapid response custom training
10 programs; and

11 (2) For administrative expenses, including but not limited
12 to supplies, equipment, and services necessary for the
13 appropriate administration of the rapid response
14 training program. "

15 SECTION 4. There is appropriated out of the general
16 revenues of the State of Hawaii the sum of \$500,000 for fiscal
17 year 2007-2008 and the sum of \$500,000 for fiscal year 2008-2009
18 to be paid into the rapid response training revolving fund.

19 The sums appropriated shall be in addition to, and not
20 replace, funds requested in the University of Hawaii biennium
21 budget for rapid response training program development.

22



1 PART III

2 SECTION 5. This part improves the effectiveness of
3 economic development and workforce development in the state by
4 relocating certain key workforce development programs within the
5 department of labor and industrial relations to the department
6 of business, economic development, and tourism.

7 The need to merge economic development and workforce
8 development efforts stems from the changing role of workforce
9 development. In the past, federal and state workforce programs
10 were targeted toward specific client groups that found entry
11 into the labor market difficult. This included such populations
12 as school dropouts, the disabled, welfare recipients, and other
13 hard-to-hire groups. These groups are still important in
14 workforce development. However, the main thrust of workforce
15 development is undergoing a significant transformation from
16 serving primarily client groups to the broader goal of supplying
17 business's need for skilled, productive workers, especially in
18 industries emerging as new economic drivers in the twenty-first
19 century. This changing role has redirected workforce
20 development from a social service orientation to an economic
21 development orientation involving considerable collaboration
22 with the business community. Moreover, as the baby boom



1 generation enters retirement age, the emerging critical issue
2 for economic development is ensuring skilled labor replacement
3 and growth to maintain a competitive growing economy. In
4 effect, workforce and economic development are now two sides of
5 the same coin. Each system maintains teams that deal with
6 business, develop growth strategies, and generate research and
7 policy recommendations. However, they are currently not doing
8 these within the scope of a single coordinated plan for economic
9 and workforce development. Nor are the activities of these
10 systems coordinated to draw on the expertise and additional
11 resources of one another.

12 A recent September 2005, study by the National Governors
13 Association ("Aligning State Workforce Development and Economic
14 Development Initiatives"), finds that organization consolidation
15 can produce many benefits and lasting change that justify the
16 effort, such as unified authority and its potential for ensuring
17 more coordinated planning, implementation, and evaluation.

18 Other benefits include:

- 19 (1) Consistency and alignment through one broadly defined,
20 clear mission;
- 21 (2) Greater resources under one roof that can be more
22 flexibly and creatively applied;



- 1 (3) Greater accountability by all staff ultimately
2 answering to one organizational leader; and
- 3 (4) The potential for restructuring to institutionalize
4 desired changes in attitudes, behavior, and outcomes
5 that often motivate the effort and influence its
6 success.

7 The December 19, 2005, final report of the governor's
8 economic momentum commission also recommends the merger of the
9 workforce development programs of the department of labor and
10 industrial relations with the economic development programs of
11 the department of business, economic development, and tourism,
12 with the latter department providing strategic oversight and
13 coordination.

14 SECTION 6. Section 202-5, Hawaii Revised Statutes, is
15 amended to read as follows:

16 "**§202-5 Organizational relationships.** The workforce
17 development council is placed within the department of [~~labor~~
18 ~~and industrial relations~~] business, economic development, and
19 tourism for administrative purposes and shall act in an advisory
20 capacity to the governor."

21 SECTION 7. On July 1, 2008, the workforce development
22 division and office of research and statistics in the department



1 of labor and industrial relations, including rights, powers,
2 functions duties and positions, shall be transferred to the
3 department of business, economic development, and tourism.

4 SECTION 8. All officers and employees whose functions are
5 transferred by this Act shall be transferred with their
6 functions and shall continue to perform their regular duties
7 upon their transfer, subject to the state personnel laws and
8 this Act.

9 No officer or employee of the State having tenure shall
10 suffer any loss of salary, seniority, prior service credit,
11 vacation, sick leave, or other employee benefit or privilege as
12 a consequence of this Act, and such officer or employee may be
13 transferred or appointed to a civil service position without the
14 necessity of examination; provided that the officer or employee
15 possesses the minimum qualifications for the position to which
16 transferred or appointed; and provided that subsequent changes
17 in status may be made pursuant to applicable civil service and
18 compensation laws.

19 An officer or employee of the State who does not have
20 tenure and who may be transferred or appointed to a civil
21 service position as a consequence of this Act shall become a
22 civil service employee without the loss of salary, seniority,



1 prior service credit, vacation, sick leave, or other employee
2 benefits or privileges and without the necessity of examination;
3 provided that such officer or employee possesses the minimum
4 qualifications for the position to which transferred or
5 appointed.

6 If an office or position held by an officer or employee
7 having tenure is abolished, the officer or employee shall not
8 thereby be separated from public employment, but shall remain in
9 the employment of the State with the same pay and classification
10 and shall be transferred to some other office or position for
11 which the officer or employee is eligible under the personnel
12 laws of the State as determined by the head of the department or
13 the governor.

14 All appropriations, records, equipment, machines, files,
15 supplies, contracts, books, papers, documents, maps, and other
16 personal property heretofore made, used, acquired, or held by
17 the agencies, divisions, or offices transferred or placed for
18 administrative purposes under this Act shall be transferred with
19 the functions to which they relate.

20 All rules, policies, procedures, guidelines, and other
21 material adopted or developed by the agencies, divisions or
22 offices transferred or placed for administrative purposes under



1 this Act, shall remain in full force and effect until amended or
2 repealed by the department of business, economic development,
3 and tourism pursuant to chapter 91, Hawaii Revised Statutes.

4 All deeds, leases, contracts, loans, agreements, permits,
5 or other documents executed or entered into by or on behalf of
6 the agencies, divisions, or offices transferred or placed for
7 administrative purposes under this Act, shall remain in full
8 force and effect.

9 The department of business, economic development, and
10 tourism and the department of labor and industrial relations,
11 with the cooperation and assistance of the workforce development
12 council, shall prepare an implementation plan for the
13 reorganization of the State's economic development and workforce
14 development programs transferred or placed for administrative
15 purposes under this Act and shall submit a report to the
16 legislature not later than twenty days prior to the convening of
17 the 2008 regular session. The report shall include but not be
18 limited to:

- 19 (1) The implementation plan;
- 20 (2) Recommendations for any additional statutory
21 amendments that may be necessary to fully effectuate



Report Title:

Rapid Response Training

Description:

Establishes a rapid response training program and revolving fund in DBEDT to facilitate rapid custom training for high priority business investments. Merges certain workforce and economic development programs of DLIR into DBEDT. Effective 07/01/2059. (HB1280 HD2)

