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March 17, 2015

To: The Honorable Dee Morikawa, Chair,
The Honorable Bertrand Kobayashi, Vice Chair, and
Members of the House Committee on Human Services

Date: Thursday, March 19, 2015
Time: 8:45 a.m.
Place: Conference Room 329, State Capitol

From: Elaine N. Young, Acting Director
Department of Labor and Industrial Relations (DLIR)

Re: HCR 211/ HR 146 Requesting the Workforce Development Council to Study the Effectiveness of Current Incentives for the Hiring of Individuals with Disabilities

I. OVERVIEW OF PROPOSED RESOLUTIONS

HCR211 and HR146 request the Workforce Development Council (WDC) to study the effectiveness of current incentives for the hiring of individuals with disabilities, including, but not limited to, tax incentives provided under federal and state law.

The department supports the intent of the resolutions but lacks sufficient funds to conduct the study. **The Workforce Development Council has $11,577 in general funds for the current fiscal year.**

II. CURRENT LAWS

The federal Work Opportunity Tax Credit gives employers a tax credit up to $2,000 for new hires, if the individual with a disability has completed, or is completing, rehabilitative services provided by:

- A state-certified agency,
- An Employment Network under the Ticket to Work program, OR
- The U.S. Department of Veteran Affairs.

We understand from the University of Hawaii Center on Disability Studies that a federal Disabled Access Tax Credit enables small businesses (up to $1 million in annual earnings and up to 30 employees) to claim a tax credit up to $10,000 per year for hiring persons with disabilities; and a federal Barrier Removal Tax Deduction up to $15,000 for employers of any size to remove architectural or transportation barriers to accommodate persons with disabilities.

III. COMMENTS ON THE HOUSE RESOLUTIONS

The department agrees that persons with disabilities are a potential source of valuable workers to Hawaii's workforce. Various federal employment and training programs administered by the department make it a priority to serve persons with disabilities and other target groups. Special federal grants sought and received by the department also enabled the implementation of pilot projects to build capacity of departmental front-line staff, service providers, and employers to encourage the hiring of persons with disabilities.

On July 22, 2014, Congress passed the Workforce Innovation and Opportunity Act of 2014 to be effective on July 1, 2015. This law strengthens the existing workforce development system through innovation, and alignment and improvement of employment, training, and education programs in the U.S. Much emphasis is placed on addressing the need of individuals with barriers to employment, including individuals with disabilities.

For example, the one-stop delivery system must ensure that appropriate access is available for individuals with disabilities when they enroll for employment training and seek supportive services. We believe improvements required by the new law will promote more effective assistance to persons with disabilities.

However, the department lacks the funding to carry out the study requested by the resolutions. The Workforce Development Council has **$11,577** in general funds for the current fiscal year.

Due to diminishing state funds and a severe restriction on federal funds for state-level activities, the Workforce Development Council has no funding for staff. Instead, only a minimal number of Council activities, and only those that are mandated by federal law, are being addressed by the Workforce Development Division.

The Workforce Development Division's Administrator also serves as the Interim Acting Executive Director of the Council as a cost-cutting measure. The Division has coped with the reduction in funds through layoffs, no refilling of vacancies, and restricted travel and equipment purchases.

For these reasons, the department supports the intent of the resolutions but would not be able to implement the requested study.