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Opening Statement Submitted for the Record
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Good afternoon Chairman Adolph, Chairman Markosek, and members of the Committee. Thank you for the opportunity to appear before you today to discuss Governor Corbett's 2012-2013 budget proposal for the Department of Labor & Industry.

Jobs and Workforce Development

In 2012, just as last year, the Department of Labor & Industry is committed to working with our public and private partners to ensure that Pennsylvanians working or looking for work, and the employers who need them, have access to efficient and effective services.

JOBSFirst PA is an important step toward accomplishing that goal. By investing in job creators and supporting entrepreneurship, JOBSFirst PA and its related initiatives will help foster the conditions necessary for business to succeed and for the workforce to connect with career-focused employment.

In addition to our partnership in the multi-agency JOBSFirst PA initiatives, my department is working to improve existing technologies and create new opportunities for job seekers and employers.

Until the General Assembly passed, and Governor Corbett signed, Act 6, Pennsylvania was the only state in the nation without a work-search requirement tied to eligibility for unemployment compensation (UC) benefits. With the work-search requirement in place, would-be claimants will now – as a condition of receiving benefits – register with the Pennsylvania CareerLink® network. The increased participation in the network, in concert with other data-collection and processing improvements, will allow Labor & Industry to better serve job seekers and employers.

A cornerstone of our efforts is the development of a comprehensive job-matching system. The new system will connect the unemployed to open jobs in two ways: through the standard direct search by the individual and through an automated search that will send job seekers alerts when targeted job matches are available. The new, more robust technology will match individuals with job vacancies based on transferable skills, education and work history rather than impersonal codes from previous jobs worked. Ultimately, we intend to create the nation's premier network, providing a quality of service to job seekers and employers unmatched anywhere else in the nation.

Keystone Works, drawn from the best elements of similar workforce development initiatives in other states, will help connect recently unemployed Pennsylvanians with employers who have open jobs. Participants will be able to maintain their UC benefits while they get on-the-job, department-certified training in precisely the skills employers need them to master. Employers will receive an incentive for hiring individuals who complete this training.

By working closely with employers, listening to their needs, and providing targeted training opportunities, Labor & Industry – and its partners – will help ensure businesses have access to a workforce with the skills and training necessary to compete and succeed in today's workplace. At every opportunity, the department will continue to serve all constituencies, including Pennsylvanians with

disabilities and our state's long-term unemployed.

Finally, with many Pennsylvanians coming home after defending our liberties and freedoms in Iraq and Afghanistan, the Department of Labor & Industry will work to improve our delivery of specialized employment services to veterans.

Unemployment Compensation

While the department is focused on jobs, the insolvency of the Unemployment Compensation Trust Fund, and our debt to the federal government because of it, has created an impediment to economic growth and job creation.

As of January 20, 2012, the most recent figure available, the debt stood at \$3.42 billion. Repayment, by law, is a burden shouldered primarily by employers. Because of this debt, employers' Federal Unemployment Tax Act rate will increase three-tenths of a percentage point every year until that debt is paid.

In 2011, the rate rose from the base rate of .6 percent to .9 percent. In 2012, it will increase to 1.2 percent and will continue to increase each year. In terms of dollars, it equates to \$101 million for 2012, \$208 million in 2013, and \$318 million in 2014.

Moreover, this is a "per employee" tax, meaning employers pay a certain amount of tax for each employee hired. The more they hire, the more they pay. They more they pay, the less they have for payrolls.

Add to that mandated payments made on the outstanding interest – again, by employers – estimated at \$104.6 million in 2011, \$138.2 million in 2012, and \$144.9 million in 2013 and again in 2014. All of these taxes are dollars that Pennsylvania employers won't have for payrolls and won't have for investing in their own success and growth. Over four years, a total of \$1.16 billion will leave our state for Washington D.C.

By not tackling the Unemployment Compensation Trust Fund solvency, Pennsylvania has allowed a situation to escalate that directly impacts employers' ability to create jobs and for individuals to be hired. The circle of unemployment, unemployment compensation benefits, debt, and onerous taxes that perpetuate unemployment must be broken.

Streamlining Government & Fiscal Responsibility

The Department of Labor & Industry is dedicated to the discovery and elimination of duplicative services and efforts, both internal and across agencies.

Through cooperation with the Department of Public Welfare (DPW), we have identified areas of duplication in employment-related services offered by the Pennsylvania CareerLink® and Employment Advancement and Retention Network (EARN) centers. I am actively working with Secretary Alexander and DPW to improve efficiency and seamlessly deliver more effective services to all job seekers. Reviewing such program areas, identifying unnecessary administrative costs, and eliminating them is a high priority for my agency.

Another priority of mine is to identify and leverage federal and private sector funding in order to effectively carry out the department's mission. Our Industry Partnership program is a fine example of our success in using outside resources in order to enhance program delivery.

We have also closely scrutinized the performance measures of existing job-training programs to ensure that scarce resources are devoted only to those programs that are most effective in leading to family sustaining careers.

Summary

My agency has made great progress in 2011. We have worked hard to do more and better with less, and will continue our work to eliminate waste, fraud and abuse while ensuring that Pennsylvanians continue to receive the high quality of services that they deserve.

Once again, thank you very much for the opportunity to be here today to discuss Governor Corbett's 2012-2013 budget proposal for the Department of Labor & Industry.

I'll be happy to answer your questions.

