

**Written Testimony of Secretary Kathy Manderino
Department of Labor & Industry**

**before the House Appropriations Committee
regarding the Department of Labor & Industry Budget Proposal for Fiscal Year 2016-17**

**Harrisburg, Pennsylvania
March 3, 2016**

Chairman Adolph, Chairman Markosek and members of the House Appropriations Committee, thank you for the opportunity to testify regarding the department's 2016-17 budget proposal.

As Governor Wolf described in his budget address, the state has two roads to choose from. To continue down the road that leaves the state's imminent budget deficit unaddressed would be catastrophic for the state, and the Department of Labor & Industry would be no exception.

L&I is keenly aware of and accustomed to operating under less-than-ideal budget circumstances. While the majority of L&I's programs are federally funded, state funding still makes up critical pieces of our annual operating budget and goes towards programs essential to the workers and employers of Pennsylvania.

Despite budget constraints, we continue to offer these essential services that help employers find and train workers; help people find jobs, assist those who are without a job due to layoff or injury; maintain worker, elevator, and boiler safety; ensure workers are fairly paid; and enforce labor laws, while at the same time working to save money and improve services to all Pennsylvanians. But make no mistake, this funding has been fully stretched and additional cuts cannot be weathered without consequences.

Office of Vocational Rehabilitation: Maximizing Resources

Labor & Industry serves all workers, including people with disabilities. Research shows that people with disabilities are consistently excellent employees. They are loyal and often have attendance records far better than their co-workers without disabilities.

With increased state funding to OVR, federal funds match and exceed the commonwealth's stake. For every state dollar, OVR draws down approximately \$4 in federal match. We do not want to leave federal dollars in Washington, D.C.

In 2015-16, the \$5 million state budget allocation allowed for a federal drawdown of \$18 million, which will now be used to implement the new guidelines contained in the federal Workforce Innovation and Opportunity Act that allocate approximately \$20 million towards pre-employment transition services for youth.

With a modest \$2 million allocation to OVR in 2016-17, we will be able to draw an additional \$8 million in federal dollars. This will allow us to help more people with disabilities achieve independence. But, even with this funding, there are still people with disabilities in need of services who we are not able to reach. Without this funding, youth, adults, and seniors with disabilities may not be able to find employment, obtain assistive devices, or receive counseling that can help them live more productive, fulfilling lives.

Safety and Labor Management Relations: Keeping Pennsylvanians Safe

A program where diminishing funding has inhibited our ability to maintain workload and, more importantly, ensure public safety, is in the Bureau of Occupational and Industrial Safety.

BOIS is charged with inspecting elevators and boilers. Due to all-too-familiar reduced funding, BOIS has been forced to do more with less. This has resulted in a backlog of both elevators and boilers inspections. Under Governor Wolf we received enough funding to hire four elevator inspector trainees, one boiler inspector, and four boiler inspector trainees. Nonetheless, we cannot tackle, in a meaningful way, the backlog of safety inspections without more revenue in this line item.

The 9 percent increase to BOIS in the 2016-17 budget will allow L&I to hire more inspectors with the goal of clearing up the existing backlog within five years and working to never have one again. However, in the near term, the lack of funding for inspectors only exacerbates the backlog, increasing it exponentially each year that funding is flat or reduced. Public safety is a core function of government and underfunding this critical safety line item would be negligent to the point of complicity.

Investigator staffing in our Bureau of Labor Law Compliance is also at a critical low. Without adequate staffing levels, we are unable to provide the necessary enforcement of labor laws that protect both businesses and employees. Another consequence of under-funding this program area would be increased inquiries and possibly audits from the Auditor General's Office.

BOIS, along with the Bureau of Mediation and Bureau of Labor Law Compliance, require adequate state funding not just to operate, but to keep Pennsylvanians safe, and to protect their wages. Any budget cuts to Labor & Industry run deep and narrow, particularly when it comes to these areas that are funded solely by state dollars. Please do not allow these critical areas to be underfunded.

Reinventing Workforce Development

Labor & Industry administers the Industry Partnership (IP) program, a particular kind of "workforce intermediary," that helps connect and meet the needs of workers and businesses. Industry partnerships bring together multiple employers, and workers or worker representatives, when appropriate, in the same industry cluster to address common or overlapping human talent needs.

Unlike many training programs that look in the rearview mirror, asking businesses what is needed now, IPs are forward-thinking, asking business owners what training needs will be in three, five, ten years, so that programs can be developed to meet those future needs. IPs train those in lower-skilled entry-level positions to move up the career ladder, which then makes more entry-level positions open for new job seekers. In other words, IPs put people to work where there is work, giving them a career path to follow.

Since fiscal year 2011-12, the IP program has received about \$1.6 million annually, woefully less than what was allocated a decade ago. In the 2015-16 budget, Gov. Wolf included a \$10 million increase to IPs. This allocation was not included in the funds released in January, and so Governor Wolf's 2016-17 budget again provides a \$10 million increase in funding, bringing the state's total investment in IPs to about \$11.6 million. The success of existing IPs cannot be overstated. IP funding supports various industry training initiatives and help Pennsylvania companies be more competitive, innovative, productive and profitable.

In July 2014 President Obama signed the Workforce Innovation and Opportunity Act (WIOA) into law. The first legislative reform of the public workforce system in more than 15 years, WIOA passed both houses of Congress with a wide bipartisan majority.

WIOA requires that the state and local workforce partners must align measures and reporting, and collectively submit a state unified or combined plan. WIOA requires the present emphasis being placed on regional collaboration—an issue of importance to the local areas—to be expanded. In implementing the new law, we are realigning our state Workforce Investment Board, (now a Workforce Development Board), and confirming our local investment areas and our PA CareerLinks®.

Labor & Industry has established relationships with our state partners and has worked diligently to complete the first state plan under WIOA.

We started working on the plan in the spring 2015. We established seven workgroups: Barriers to Employment; Governance and Planning; PA CareerLink® Operations; Performance and Accountability; Service Delivery; Strategies; and Youth Services. Work groups met from May through August and ultimately produced white papers to inform the Combined State Plan. Almost 300 individuals participated in work group activities to include 21 full work group meetings and 14 sub-group meetings.

I held five roundtable meetings with businesses across the state in the summer of 2015. Meetings were held in Lancaster, the Lehigh Valley, Wilkes-Barre, Glassport (Allegheny County) and Centre County with local chambers of commerce and their members. Businesses provided feedback on how they currently interact with the workforce development system and what changes and improvements they would like to see in the future.

The commonwealth also established a WIOA Legislator Workgroup to keep the Pennsylvania General Assembly apprised of the goals and strategies of the State Plan and to allow lawmakers to provide input based on their experiences and conversations with constituents.

The State Workforce Development Board received an overview of the plan at its October 2015 meeting. All members were given the opportunity to review and comment on the Strategic portion of the plan. Additionally, the SWDB established an ad hoc committee to review and provide input for the entire State Plan. The State Plan Ad Hoc Committee met on November 6, 2015 and offered feedback, which was incorporated into the State Plan as posted for public comment.

The plan was posted for public comment on Dec. 28, 2015 with public comment due on February 1, 2016

We received comment from roughly 200 individuals and organizations resulting in nearly 800 comments for the agencies to review and respond to.

We also held public listening sessions in Philadelphia, Allegheny, Butler and Northampton Counties, Altoona and Mansfield, where a total of 27 individuals offered verbal remarks.

We plan to submit the final plan to the U.S. Department of Labor in early March. This will establish Pennsylvania's leadership role in taking the initiative to collaboratively research, write, and submit a state plan that meets WIOA requirements and includes input from all involved state agencies and stakeholders.

Unemployment Compensation: Providing Benefits in a Timely and Efficiency Manner

The status of the unemployment compensation system is frequently the topic of appropriation hearings.

I'm pleased to report that the UC Trust Fund remains on track for solvency, and that despite reduced federal funding for the administration of UC, we are meeting the imposed thresholds for timely payments.

Our ability to meet these thresholds is due in part to Act 34, the Service and Infrastructure Improvement Fund, enacted in 2013.

Act 60 changes were implemented in 2013 to refinance the state's outstanding debt to the federal government due to the recession, restoring solvency to the UC fund by establishing changes to eligibility and the tax structure.

As anticipated, Act 60 changes did affect seasonal workers in all industries. Our estimates are approximately 50,000 individuals.

The department and the administration have been supportive of an Act 60 fix to bring as many workers as possible back into the UC system while ensuring that the UC Trust Fund remains solvent.

The department continues to work diligently with all four caucuses, taking part in discussions, attending hearings, and providing reliable, timely data.

We are pleased that progress continues to be made with the legislature and the interested parties.

State of the State

This past year, I was privileged to meet with business owners and workers across Pennsylvania on a "jobs that pay" tour representing both my department and Gov. Wolf.

I also met with business leaders, unions, career and technical schools, apprentices, post-secondary students, organizations that help people with disabilities, and countless other stakeholders who told me what they need from state government.

These conversations allowed me to listen and to bring back to my department the wishes and needs of our myriad stakeholders. All with the end goal of providing not just services, but the right services to all Pennsylvanians. The more we know and understand needs from the across the state, the better we are at creating effective, localized initiatives and programs.

At 4.8 percent in December, our unemployment rate was two-tenths of a percentage point below the nation, which for January is now at 4.9 percent. (Our January jobs report will be issued March 4.) Our jobs growth reached a record-high in December. And we continue to see businesses – and jobs that pay – coming to Pennsylvania.

However, we know that there is still more work to do. More people who need jobs, more employers who need skilled workers. The Department of Labor & Industry stands ready – as we always have – to do the hard work to provide the people and employers of Pennsylvania with the programs and services they deserve to improve their lives.

Conclusion

We have turned over every stone, scrimped, penny-pinched, and become miserly in an effort to continue to fulfill our duties to Pennsylvania and our citizens while operation under the confines of budget reductions.

We engaged and involved our staff in the creation of L&I's cost-saving Go-TIME initiatives, inviting individual comments and suggestions, talking to managers, and our unions. This type of commitment and all-in-it-together mentality has led to a wide array of savings and to many of our accomplishments.

And we will continue to work to save state dollars, but I implore you to take the right road and pass a budget that includes the funding allocations Labor & Industry requires to continue to provide services to Pennsylvanians.

Thank you for the opportunity to discuss the department's budget proposal. I would be happy to answer questions at this time.