

IMPACT OF PENDING FEDERAL LEGISLATION THAT WOULD SIGNIFICANTLY CHANGE THE RESPECTIVE FEDERAL-STATE RESPONSIBILITIES AND FUNDING FOR WORKFORCE DEVELOPMENT, WORKFORCE TRAINING, PUBLIC LABOR EXCHANGE, AND UNEMPLOYMENT INSURANCE PROGRAMS - BACKGROUND MEMORANDUM

INTRODUCTION

Section 5 of House Bill No. 1017 (attached as an appendix) directs a study of the impact of pending legislation that would significantly change the respective federal-state responsibilities and funding for workforce development, workforce training, public labor exchange, and unemployment insurance programs. The study was included in the Job Service North Dakota appropriations bill at the request of representatives of Job Service. House Bill No. 1017 was amended in the House of Representatives to remove workforce training funding from Job Service North Dakota and transfer that funding to the Department of Commerce. Ultimately, the bill was further amended to return workforce training funding to Job Service.

BACKGROUND

The federal Social Security Act of 1935 included provisions for the creation of a program for the payment of benefits to unemployed individuals. Under the federal law, payments are made to states with approved unemployment compensation laws under which the state administers an unemployment compensation program through public employment offices. The state program administration must conform with rules established by the federal government. Although the state continues to provide temporary financial assistance to unemployed individuals, the unemployment system has evolved to shift some of the emphasis of the program to reemployment and workforce training.

The state of North Dakota has provided unemployment insurance to its residents since 1937 through the state and federal partnership. Job Service North Dakota is charged with administering the North Dakota Unemployment Compensation Law.

Although Job Service North Dakota serves as the central administrative agency for workforce training in North Dakota, several other agencies provide workforce training services in the state. Among the other agencies providing workforce training are the Department of Commerce Division of Workforce Development, the Department of Human Services, the North Dakota University System, and the State Board for Vocational and Technical Education.

NORTH DAKOTA LAW REGARDING UNEMPLOYMENT COMPENSATION

North Dakota Century Code Section 52-02-01 provides that Job Service North Dakota is responsible for administering the unemployment program in this state. Section 52-02-09 provides for a Job Service administration fund in which federal funds for the administration of unemployment compensation must be deposited.

Chapter 52-03 provides for an unemployment compensation fund which consists of various funds, including contributions collected under the North Dakota Unemployment Compensation Law. Within that fund, Job Service North Dakota is required to maintain an unemployment trust account.

Chapter 52-04 contains provisions relating to the payment of contributions by employers and the determination of employers' contributions.

Chapter 52-06 addresses the payment of benefits to unemployed individuals and the eligibility of unemployed individuals for benefits. That chapter also establishes benefit amounts and contains provisions for appeals of determinations of benefit eligibility.

Section 52-08-01, which was adopted by the 1935 Legislative Assembly, provides that the state of North Dakota accepts and will observe federal law regarding the establishment of a national employment system. Section 52-08-03 requires Job Service North Dakota to establish and maintain free public employment offices where necessary in the state.

WORKFORCE TRAINING AND DEVELOPMENT PROGRAMS Job Service North Dakota

Job Service North Dakota provides workforce training and development through numerous federal and state programs, including:

- The Workforce Investment Act of 1998, which is the primary federal workforce training program. The purpose of the Act is to increase occupational skill attainment, employment, retention, and earnings of participants through program activities such as classroom training, on-the-job training, and work experience. The Workforce Investment Act of 1998 expires on September 30, 2003.
- The job opportunities and basic skills (JOBS) program under which Job Service North Dakota

contracts with the Department of Human Services for administration. The program provides basic education and specific job skills training to people eligible for the temporary assistance for needy families (TANF) program.

- The Work Force 2000 program, which is a state-funded job training program designed to assist North Dakota industry and business in retraining and upgrading workers' skills to meet demands brought about by the introduction of new technologies and work methods into the workplace and to provide assistance to companies to help train new employees.
- The trade adjustment assistance program, which is a federal program administered in the state by Job Service North Dakota. The program provides special job training, job search assistance, relocation, and related services to workers who have become unemployed as a result of foreign imports or imports or jobs going to Canada or Mexico as a result of the North American Free Trade Act.
- The senior community service employment program, which is designed to foster and promote useful part-time employment opportunities in community service activities for unemployed low-income persons who are 55 years of age and older and have decreased employment prospects.
- The new jobs training program, which was enacted by the 53rd Legislative Assembly (1993). The program provides a state income tax withholding credit equal to the state income tax withholding projected to be generated from new jobs created. To qualify, the employer must either be locating to the state or expanding employment within the state. The eligible employer may access funding by obtaining a grant or loan from a commercial or private lender, city, or local development corporation. The loan or grant covers the costs of workforce training and program administration identified in the project agreement between the employer and Job Service North Dakota. The loan or grant is repaid through state income tax withholding credits generated from the new positions created.

Department of Commerce

The Department of Commerce Division of Workforce Development is responsible for providing administrative support for the North Dakota Workforce Development Council, the North Dakota Youth Development Council, and the State Commission on National and Community Service. The division is also responsible for the development of a public and private partnership for the recruitment of workers.

The purpose of the North Dakota Workforce Development Council is to advise the Governor and the public regarding the nature and extent of workforce development and economic development needs in North Dakota

and how to meet those needs effectively while maximizing the efficient use of available resources and avoiding unnecessary duplication of effort. The council is responsible for drafting the state's five-year strategic workforce development plan, assisting the Governor in the development of a statewide workforce investment system carried out through a one-stop delivery system, developing and improving state performance measures that will be used to assess the effectiveness of programs covered by statewide workforce investment activities, developing a statewide employment statistics system, and coordinating workforce development system activities with state and local economic development strategies.

The division administers *NorthDakotaHasJobs.com*, which is a single statewide web site that provides seamless access for employers and jobseekers to a job opening and resume management system to support the recruitment of alumni and workers from out of state. The web site has a student/adult career guidance system, assessment tools, and electronic portfolio integrated into the site to provide employers with opportunities to advertise internship and work-based learning opportunities while giving students a tool to learn about employers that exist in the state and opportunities the employers have available.

House Bill No. 1019 (2003), the appropriations bill for the Department of Commerce includes a directive that the department, in cooperation with Job Service North Dakota, the Department of Human Services, and the North Dakota University System include in its annual report to the Legislative Council the number of individuals trained and the number who became employed as a result of each entity's workforce development and training programs, including the state's investment, the areas of occupational training, the average annual salary of those employed, and the average increase in earnings 12 months after completion of training.

The division also provides matching funds to communities that participate in standardized community labor availability studies.

Department of Human Services

The Department of Human Services provides workforce training and development assistance for individuals who are eligible under selected public assistance programs, including:

- The TANF program, which is a federal and state program to provide cash assistance to families in need and to reduce dependency by promoting job preparation and work. Under the program, individuals may receive basic education and job skills training and work support assistance, such as child care assistance, transportation assistance, and career-related counseling.
- The JOBS program, which is the employment and training component of North Dakota's TANF program under which individuals who are eligible for the TANF program may receive basic education and specific job skills training.

- The child care assistance program, which provides assistance to low-income families to help obtain and pay for the care of dependent children while an individual is at work or in training.

State Board for Vocational and Technical Education

The State Board for Vocational and Technical Education (effective August 1, 2003, the name of the board will become the State Board for Career and Technical Education) administers vocational technical education in the state through programs provided by public school districts, Bureau of Indian Affairs schools, tribally controlled colleges, junior and state colleges, state universities, and other agencies. The mission of the State Board for Vocational and Technical Education is to work with others to provide all North Dakota citizens with the technical skills, knowledge, and attitudes necessary for successful performance in a globally competitive workplace. The board also distributes grant funds for specialized industry training provided on demand by vocational education centers.

North Dakota University System

The North Dakota University System provides workforce training and development through the institutions' continuing education divisions and the four community colleges that are responsible for coordinating workforce training activities.

The University System appropriation for the 2003-05 biennium includes \$1,550,000 for Centers for Excellence, which the University System is required to establish. The purpose of the program is to develop and engage strategies for science and technology research and development, commercialization, entrepreneurship, infrastructure, growth and expansion of knowledge-based industries, and activities in the state to develop innovative approaches that expand the gross state product; to assist efforts to attract private and federal assistance for science and technology research and development and for commercialization in growth clusters most likely to increase the gross state product; to increase collaboration among state, federal, and private research and development and technology commercialization organizations in the state; to strengthen the leadership and support of the National Science Foundation

experimental program to stimulate competitive research programs and to encourage partnerships with other state institutions for expanded efforts to stimulate economic growth in identified industry clusters; to provide leadership in science and technology policy at a regional, a national, and an international level; and to create employment opportunities for North Dakota University System graduates.

PROPOSED FEDERAL LEGISLATION

In 2002 the United States Department of Labor sent to Congress the administration's proposal for an overhaul of the unemployment compensation system. Among other things, the proposal would reduce employers' federal unemployment taxes and transfer control of funding for unemployment compensation services and administration to the states. States would be allowed to use existing unemployment tax systems to fund the administration of the programs or create a separate administration tax. The federal government would continue to set standards for coverage and benefits.

Federal grants to states would continue for federal activities such as federal unemployment claims, tax credits, alien labor certification, required reports, and statistical programs. Proposals for reauthorization of the Workforce Investment Act also include provisions for offering personal reemployment accounts to some unemployed individuals.

STUDY APPROACH

A possible approach to conducting this study is to receive testimony from Job Service North Dakota regarding all aspects of the unemployment compensation system and the potential impact of proposed federal legislation relating to administration of the unemployment compensation system. In addition, the committee should seek testimony regarding workforce training and development from Job Service North Dakota, the Department of Commerce, the Department of Human Services, the State Board for Vocational and Technical Education, and the North Dakota University System. The committee may also seek testimony from other local entities involved in workforce training and jobs development.

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