

**Department of Labor, Licensing and Regulation
Workforce Development Group**



**Fiscal Year 2013
Budget Hearing**

**HOUSE COMMITTEE ON APPROPRIATIONS
SUBCOMMITTEE ON EDUCATION AND ECONOMIC DEVELOPMENT**

Chairman John L. Bohanan Jr.

FEBRUARY 22, 2012

**SENATE COMMITTEE ON BUDGET AND TAXATION
SUBCOMMITTEE ON EDUCATION, BUSINESS & ADMINISTRATION**

Chairman Richard S. Madaleno, Jr.

FEBRUARY 27, 2012

DEPARTMENT OF LABOR, LICENSING & REGULATION FISCAL YEAR 2013 BUDGET HEARING

We are here today to present the Fiscal Year 2013 budget of the Department of Labor, Licensing and Regulation's Workforce Development Group (Workforce Group), as defined by the Department of Legislative Services (DLS), and to respond to the requests and the recommendation from DLS. The Workforce Group is comprised of four divisions:

- ◆ Office of the Secretary
- ◆ Division of Administration
- ◆ Division of Workforce Development and Adult Learning
- ◆ Division of Unemployment Insurance

The Office of the Secretary provides executive leadership, general administration, public information, and comprehensive planning for the commissions, boards, divisions and agencies of the Department and includes the Governor's Workforce Investment Board, the Office of Program Analysis and Audit, the Office of Fair Practices, the Office of Legal Services, the Board of Appeals and the Lower Appeals Division.

The Division of Administration, composed of the Office Budget and Fiscal Services, Office of General Services, Office of Information Technology and Office of Human Resources, provides support services in fiscal, budgetary, procurement, facility management, information technology, and human resources.

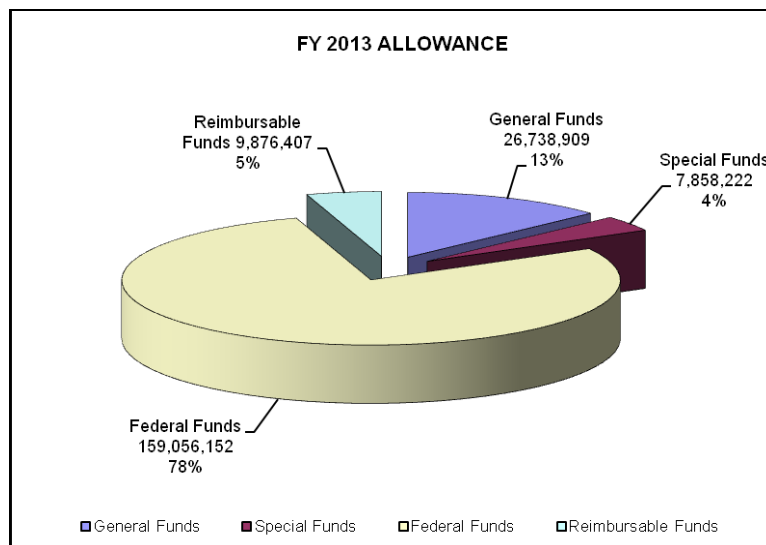
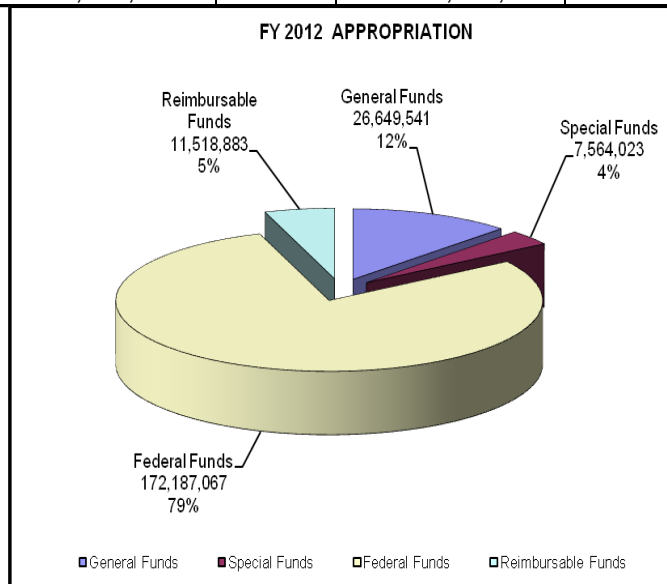
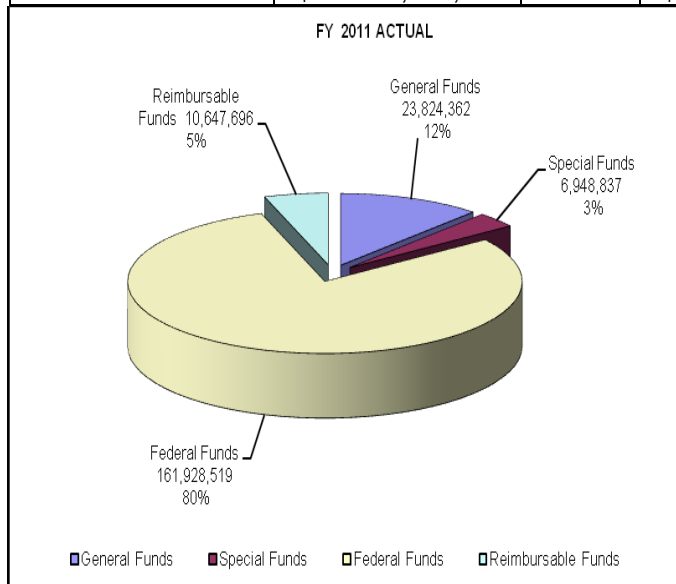
The Division of Workforce Development and Adult Learning (DWDAL), under the direction of the Office of the Assistant Secretary, has oversight responsibility for five DWDAL offices: Administration; Adult Education and Literacy Services; Education and Workforce Skills Training for Correctional Institutions; and Workforce Information and Performance. The Division also administers local offices of employment and training in each county and in Baltimore City. The Division responds to both the individual employment and educational needs of Maryland residents and the workforce demands of the region's business community.

The Division of Unemployment Insurance (UI), under the direction of the Office of the Assistant Secretary and Deputy Assistant Secretary, is composed of two major Divisions – Benefits and Contributions. The Division operates an employer funded insurance program that pays benefits to employees who are unemployed through no fault of their own. The program administers the collection of unemployment taxes, the determination of employer rates and the payment of benefits to eligible individuals. Benefits are paid with employer collected taxes. Federal funding and grant allocations provide for federal extensions of unemployment insurance and the administrative costs of the Division. No General Funds are used to support this division.

The Workforce Group promotes Maryland's economic vibrancy by fostering a comprehensive, cohesive and collaborative workforce and adult education system that is supportive of the needs of both job seekers and the business community. The federally funded activities of DWDAL and UI are essential to the core services offered by the Department. The services of the Department of Labor, Licensing and Regulation's Workforce Development Group are provided in a high quality, customer focused environment for the citizens and businesses of Maryland. Specific program updates are provided beginning on page 11.

The Workforce Group is supported by a combination of general, special, federal, and reimbursable funding as shown on the next page:

WORKFORCE DEVELOPMENT GROUP - BUDGET						
	FY 2011		FY 2012		FY 2013	
	ACTUAL		APPROPRIATION		ALLOWANCE	
General Funds	23,824,362	11.72%	26,649,541	12.23%	26,738,909	13.14%
Special Funds	6,948,837	3.40%	7,564,023	3.47%	7,858,222	3.86%
Federal Funds	161,928,519	79.63%	172,187,067	79.01%	159,056,152	78.15%
Reimbursable Funds	10,647,696	5.25%	11,518,883	5.29%	9,876,407	4.85%
Total	\$ 203,349,414	100%	\$ 217,919,514	100%	203,529,690	100%



*FY 2013 Allowance Does not Include Contingent and “Back of the Budget Bill” Reductions

Responses to Issues and Recommended Action Identified by Legislative Analyst

Issues

1. The Department of Legislative Services (DLS) recommends that the department brief the budget committees on the Skills2Compete initiative, on the impact of increased federal funds for workforce development, and the extent to which its services has resulted in an increase in skilled employment.

Skills2Compete Maryland (S2C) is Governor O'Malley's vision for Marylanders to gain the skills and credentials needed to get good jobs with family supporting wages. Reinforcing efforts to support job growth and to better position the State to compete in the emerging global economy, the O'Malley-Brown Administration set a goal of increasing the number of Marylanders prepared for middle and high skilled jobs by increasing the number of Marylanders who receive skills training through the State's workforce system by 20% by 2012.

S2C is based on the premise every working Marylander should have access to the equivalent of at least two years of education or training past high school leading to a career or technical credential, industry certification, or a college degree. S2C focuses State agencies, community colleges, Local Workforce Investment Boards (LWIBs), apprenticeship programs, and other stakeholders on increasing post-secondary participation and completion rates, and measuring success.

Governor O'Malley asked Lieutenant Governor Brown to lead the S2C Maryland effort, along with Secretary Sanchez, Maryland Department of Labor Licensing and Regulation (DLLR). Additionally, the Governor designated the Governor's Workforce Investment Board (GWIB) to serve as the S2C Advisory Board to ensure system alignment, promote interagency coordination and collaboration, and to collect and analyze S2C data from partner agencies and stakeholders.

In addition to DLLR, the partner agencies are the Department of Human Resources, the Maryland Department of Veterans Affairs, the Maryland Department of Disabilities, the Maryland State Department of Education, the community colleges, the P-20 Council of Maryland, Maryland's four-year colleges and universities, the Maryland Higher Education Commission, the LWIBs, the Department of Public Safety and Correctional Services, and the Department of Juvenile Services. S2C encapsulates the following approaches to raise the skills of Marylanders:

- As a proxy for raising the skills of the Maryland workforce more broadly, Governor O'Malley set a single numeric goal for postsecondary attainment and developed an executive leadership structure, led by Lieutenant Governor Brown and Secretary Sanchez for achieving the goal.
- Outcomes are typically measured in isolation within agencies or funding stream silos. The Governor mandated that all agencies come to the table, ensuring the full range of human capital investments would be included in the assessment of progress toward the goal of increasing the number of Marylanders receiving at least two years post-secondary education and training by 20% by 2012.

- When trying to measure postsecondary attainment, states typically default to degrees, which only measure the outcomes of investments in traditional educational pathways. By bringing the full range of skilled credentials and pathways under the S2C umbrella, Maryland measures outcomes of investments in non-traditional and non-degree pathways.

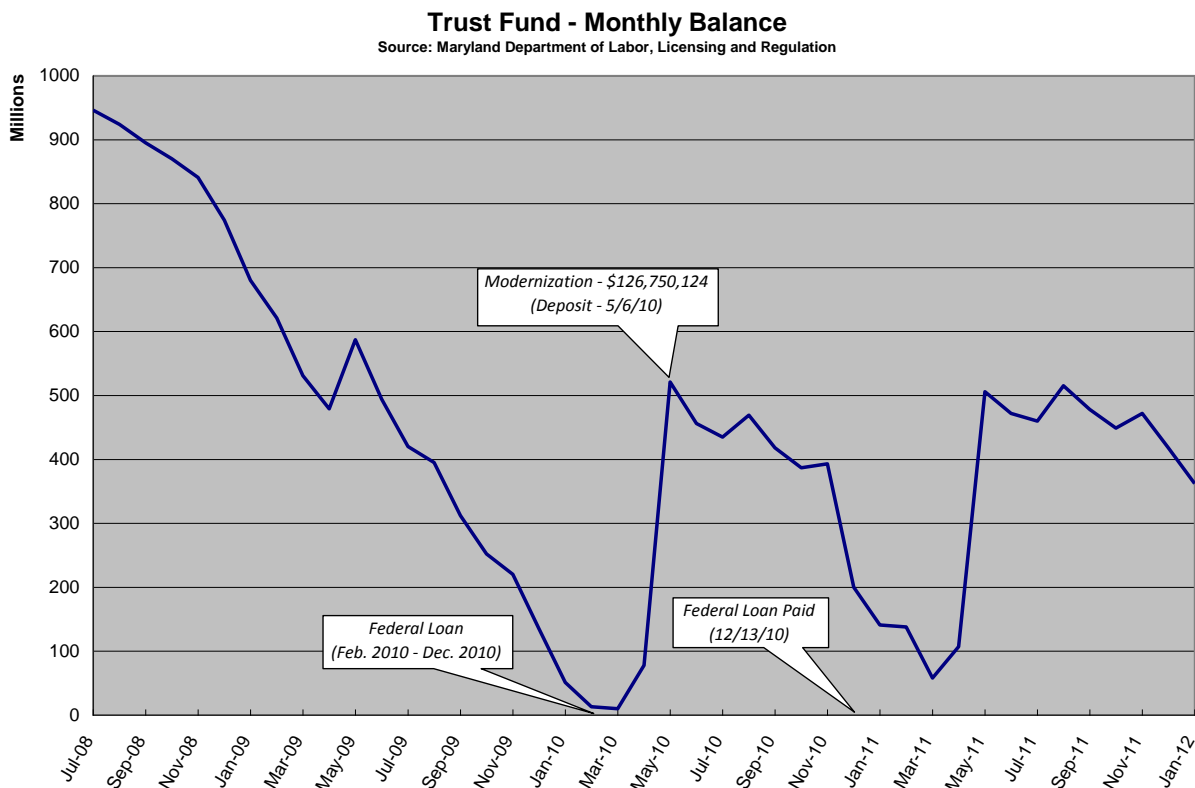
Key Skills Completions							
Tracking Metric	Lead Agency	FY 2009*	FY 2010	FY 2011	FY 2012 Goal	Progress To Date	% of Goal Completed***
Associate's Degrees Awarded by Community Colleges	MHEC	10,371	11,163	12,637	12,445	2,266	109.25%
For-Credit Certificates Awarded by Community Colleges	MHEC	2,550	2,908	3,337	3,060	787	154.31%
Private Career School Completions	MHEC	13,735	14,541	Apr '12	16,482	806	29.34%
WIA Occupational Training Program Completions	DLLR	1,922	2,276	2,323	2,306	401	104.32%
Workers Trained with MBW Funds***	DLLR	2,096	5,093	3,587	2,515****	1,491	355.68%
Graduates of Registered Apprenticeships	DLLR	1,045	1,143	1,457	1,254	412	197.13%
CTE Graduates with College Credit, Credential or License	MSDE	3,403	2,993	4,001	4,084	598	87.86%
Occupational Certificates Awarded to Inmates	DPSCS	1029	907	850	1,235	-179	-86.98%
TANF Customers Who Complete Occupational Skills Training.	DHR/MD Rise	190	261	311	228	121	318.42%
Workforce Training Center Graduates	MSDE/DORS	172	179	160	206	-12	-34.88%
TOTAL ANNUAL COMPLETIONS****		36,513	41,464	28,663	43,816	4,951	67.80%
* GDU Goal Baseline Year							
**Adjusted to most recent complete data; total annual completions compares progress up to FY 2010 until FY 2011 data is complete.							
*** Last year's cuts to federal Workforce Investment Act funding resulted in the elimination of Maryland Business Works Program. There are no funds available to reestablish this program.							
****Metric for Measuring Goal Progress							

There were no State resources allocated to the S2C initiative. It should be noted however, DLLR/DWDAL and the GWIB received increased federal funding through the American Recovery and Reinvestment Act (ARRA) to support training activities, contributing to the increase in the numbers of Marylanders receiving and completing skills training. Those funds were expended. It is not anticipated the Department will receive additional increased federal funding to support the Skills2Compete goal. However, as the table on the prior page illustrates, the State is on track to meet the FY 2012 goal.

2. DLS recommends that the department discuss the health of the UI trust fund and when the State’s employers can expect to pay from a lower tax table.

I. Trust Fund Balance - \$460,222,357 - Available for Benefits on September 30, 2011

On September 30th of each year, the Department of Labor, Licensing and Regulation’s Unemployment Insurance Tax Unit is required, by Maryland law, to conduct a temperature check on the health of the Unemployment Insurance Trust Fund. The Trust Fund balance on September 30, 2011 was \$460,222,357. After the official calculation, it was determined that the range of rates will not change in 2012. This information was distributed to all employers. The range of rates in effect in 2012 under Table F is 2.2% to 13.5%, the same rates in effect in 2010 and 2011. The range of cost to employers under Table F is \$187.00 to \$1147.50 per employee, based on the taxable wage base of \$8500. An employer’s specific rate, within the range, is determined by each employer’s experience (chargeable benefits paid to their former employees in relation to the taxable wage reported for the previous three fiscal years). Approximately 50% of Maryland employers will be in the lowest end of a table, because they have the best experience rating. Only approximately 7% of Maryland employers will be at the maximum rate in 2012.



While Maryland's Unemployment Insurance Trust Fund fared better than the funds in many states, the Trust Fund balance on September 30, 2011 is lower than the balance needed to trigger a downward rate shift for 2012. The Trust Fund balance would need to be at least \$524,000,000 for a shift to Table E. The reason for the low balance is straightforward: we saw unprecedented demands on the Fund during this economic downturn. Based on our forecasting, and an assumption that benefit payments remain at or lower than 2011 levels, the range of rates should move to Table E or Table D in 2013. Unemployment Insurance is similar to other forms of insurance. When significant events occur that result in dramatic increases in claims, rates go up for everyone. Once the fund is replenished, then rates go back down.

The 2012 tax rate for new Maryland businesses will remain at 2.6%. By Maryland law, this rate is capped at 2.6%. If the rate was not capped, the calculated rate for 2012 would be 3.6%, and would have the potential to be even higher in 2013 due to the high benefit payout of the last five years. With a cap on this rate, new businesses have the certainty their rate will not increase in the first two years of operation. Also, after two years, it is anticipated that when new businesses qualify for earned tax rate, the range of tax rates will be reduced because the trust fund will have recovered. The creation of new businesses is critical to our economic recovery and job creation. Hopefully, the new employer rate structure will contribute to those outcomes.

II. National Trust Fund Solvency, the FUTA Credit and Interest Payable on Loans

Nationally, unemployment insurance trust funds are struggling to keep up with the payment of benefits. If a state's unemployment insurance trust fund becomes insolvent, the state must borrow money from the United States Department of Labor. Because of the responsible decisions Maryland made, Maryland is one of only 23 states without a current trust fund loan.

As of February 14, there are 27 states and one territory with outstanding loans for the purpose of paying benefits. States with current loans include Pennsylvania, Virginia, Delaware, New York and New Jersey. Maryland repaid a \$133,850,765 federal loan in December of 2010. Loan balances for other states as of February 14th are shown in Appendix A.

The ability to repay the Trust Fund loan had two positive consequences for Maryland employers. First, Maryland employers will not have an increase to their federal unemployment insurance tax (FUTA) for the next 2 years. Second, Maryland did not have an interest obligation on loans in 2011 and beyond.

FUTA is paid directly to the IRS, which uses these funds to finance the administration of state Unemployment Insurance programs, and it is also the source of loans to states with insolvent trust funds. Employers pay FUTA on the first \$7,000 of annual wages. While the normal FUTA tax rate is a flat 6.2%, employers who pay their state unemployment taxes in a timely manner receive a tax credit of 5.4%, resulting in a net rate of 0.8%, or \$56 per employee. This net rate changes to 0.6% after July 1.

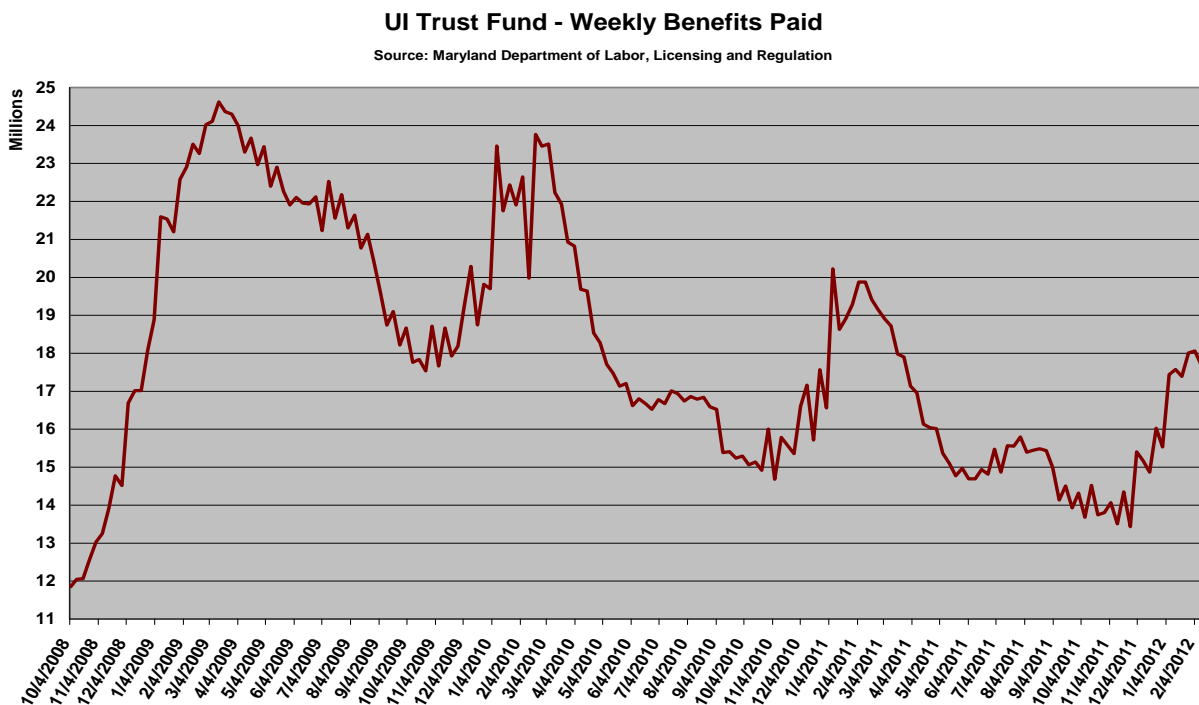
When a state has an outstanding federal loan for two years, federal law mandates an increase in that state's FUTA tax rate. For every year the loan remains unpaid, an additional 0.3% increase is added to the FUTA tax for each employer in that state.

Michigan employers had an increase in FUTA in 2010, from \$56 to \$77 per employee. Their tax increased again in 2011, to \$98 per employee. South Carolina and Indiana employers realized an increase in FUTA tax for 2011, from \$56 to \$77 per employee.

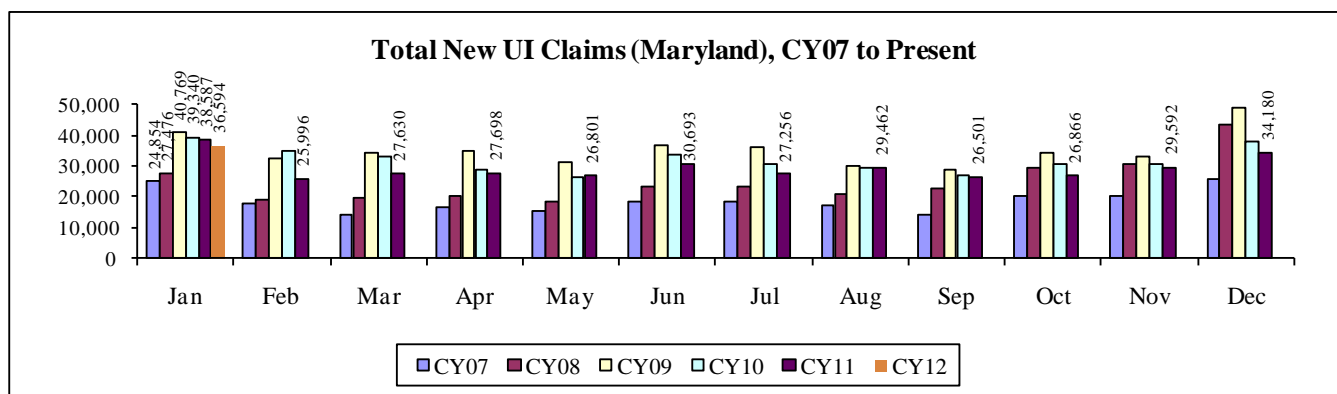
The U.S. Department of Labor estimates as many as 22 additional states will likely pay additional FUTA tax in 2012 because of outstanding unemployment insurance trust fund loans. Interest may not be paid from a state's Trust Fund.

III. Benefits Paid from the Maryland Unemployment Insurance Trust Fund

Unemployment Insurance is a critical lifeline for working Marylanders during tough economic times. Under the regular State unemployment insurance program, eligible unemployed workers can receive up to 26 weeks of partial wage replacement. In state fiscal year 2011, Maryland paid \$ 832,078,119 in benefits charged to the Trust Fund, compared to \$942,625,069 in FY 2010, \$890,772,849 million in FY 2009, 477,896,144 in FY 2008 and \$397,113,103 in FY 2007. Benefit pay-outs recently decreased compared to 2009 and 2010 levels. The amount of benefits paid weekly peaked at \$ 24,618,329 in March of 2009.



233,101 individuals received at least one unemployment insurance payment through the Division in fiscal year 2011. It is important to note the benefits paid to eligible claimants in Maryland under the Federal Emergency Unemployment Compensation - in the amount of \$692,462 for state fiscal year 2011 - are paid with federal dollars, do not come out of the Maryland UI Trust Fund, and are not charged to employer accounts. Initial claim levels declined compared to 2009 and 2010 levels.



IV. Status of the Unemployment Insurance – Tax Deferment, Trust Fund Solvency, and Cost-Neutral Modernization Act

The product of months of negotiations among business and labor representatives, legislative leaders and the administration, the Unemployment Insurance - Tax Deferment, Trust Fund Solvency, and Cost-Neutral Modernization Act was passed in 2010. This important legislation contributed to the solvency of Maryland's Unemployment Insurance Trust Fund.

The legislation allowed Maryland to access \$126 million in federal funds deposited directly into the Maryland Unemployment Insurance Trust Fund for the payment of benefits only. **While the \$126 million stabilized the Trust Fund, the Division of Unemployment Insurance was clear this infusion alone could not build the Fund's reserves sufficiently to trigger a reduction in contribution rates for 2012.** The federal funds will, however, allow Maryland to return to a lower rate table at a faster pace than otherwise possible.

All aspects of the legislation were implemented on time. One provision - increasing the minimum weekly benefit to \$50 from \$25 – takes effect in March of 2012. The 2010 legislation did adjust some aspects of benefits, but – importantly – did not change basic unemployment insurance payments. The amount of benefits paid (the maximum weekly benefit amount is \$430) and the duration of payments (26 weeks) remained the same.

The new law requires the Division of Unemployment Insurance offer payment plans for unemployment insurance taxes so employers can spread payments over the entire calendar year. The new unemployment insurance legislation also lowers the interest rate for late payments from 18% per year to 6% per year.

The Division of Unemployment Insurance has employer representatives who can assist any employer in reviewing their account and establishing a payment plan. The Unemployment Insurance website at <http://www.dllr.maryland.gov/employment/uitax.shtml> provides a resource for all Maryland employers, including contact and payment plan information.

On December 1, 2011, employers received a letter instructing them on how to obtain the 2012 tax rate by calling the toll free number: 1-800-492-5524. This is provided for planning purposes, so employers and their payroll services can accurately project their UI costs beginning January 1, 2012. Employers received their 2012 Experience Rate Notice by mail in mid-January. The notice provided their specific tax rate for calendar year 2012, and a summary of benefit charges and taxable wages used to calculate their rate. If it is

determined an error has been made, employers will have (15) days from the date of the notice to file a written appeal.

3. DLS recommends that the department comment on the audit findings, steps it has undertaken to address the findings, and an explanation as to why the audit showed 55% repeat findings.

The Office of Legislative Audits determined nine total findings with five repeat items in its audit of the Office of the Secretary, the Division of Administration, and the Division of Workforce Development and Adult Learning. Four of the five repeat findings involved digital information security issues. DLLR initiated corrective action after the prior audit of November 21, 2008, but the audit cycle was shorter than our implementation cycle. All four findings were resolved by January 31, 2012. The last repeat finding for equipment was largely addressed during the audit period in the initiation of the ASSET TRACK (ATRACK) inventory system. This finding guides us in the specific application of the new software to resolve the audit issue.

We are pleased to report the Department of Labor, Licensing and Regulation (DLLR) received funding in fiscal year 2011 to reintroduce its Internal Audit Function. We initiated an Internal Audit Committee to provide executive level guidance and direction to internal control, compliance and ethics issues. The primary task of our new Internal Audit Officer is ensuring the proactive address and remedy of current and potential audit issues. We believe these actions will positively impact future audits.

The Department of Labor, Licensing and Regulation is working with the Audit Compliance Unit (ACU), Department of Budget and Management. This unit works with State agencies to ensure the effectiveness of the corrective action plans and verifies the successful implementation of corrective actions. Our initial meeting took place December 9, 2011 and the ACU will begin evaluation of our corrective actions in the first quarter of calendar year 2012.

Recommended Action

1. Concur with the Governor's allowance.

Agency Response: We appreciate the Analyst's recommendation and concur with it.

Program Updates

Program updates are provided for units that are part of the DLLR Workforce Development Group – the Office of the Secretary, Administration Programs, Division of Workforce Development and Adult Learning (DWDAL), and Division of Unemployment Insurance (UI).

Office of the Secretary and Administrative Programs

The Office of the Secretary (OOS) oversees the divisions in the Department to ensure that consumers are protected and quality services are provided in an efficient and effective manner to all Marylanders. The DLLR Training Academy Cadre has been instrumental in providing training to DLLR staff throughout the Department to assist with succession planning and improve skill levels among DLLR employees. The most recent focus for the Cadre has been to develop customer service curriculum for the Department to improve our contact with and response to the Marylanders that we serve.

Through our own DLLR Stat program, modeled after and a complement to Governor O'Malley's performance based StateStat process, DLLR tracks and reviews the status and implementation of several projects in the Department. In FY 2011, the Office of the Secretary was involved in the following initiatives:

- The Office of the Secretary led the transition of the Adult and Correctional Education programs from MSDE to DLLR in FY 2009. This work continued in FY 2010 and FY 2011 with extensive coordination with the Department of Public Safety and Correctional Services (DPSCS). DPSCS is required to ensure men and women incarcerated in Maryland correctional facilities receive adult basic education and GED testing services. The DLLR Secretary, Deputy Secretary and Policy Director worked closely with DPSCS leadership, as well as with a project team from the Annie E. Casey Foundation, to ensure the level of educational services provided to this special population is supported with the full array of services and funding streams allowable under U.S. Department of Education and U.S. Department of Labor rules and regulations. This implementation effort continues.
- The Office of the Secretary hired an auditor in 2011 to ensure effective auditing of the ARRA funding received by the Department and to proactively participate in certain audit processes. Further, the Department established an executive level Audit Review Committee to oversee internal auditing and compliance efforts.
- In 2011, the Office of the Secretary led the Governor's P-20 Leadership Council when Secretary Sanchez became Chair. The P-20 Leadership Council convenes educators, business leaders, and other stakeholders to develop strategies to prepare students for success in college and career. The OOS led the Council (and the Council's work group) in developing a P-20 Dashboard and continues to focus on increasing the number of students participating in STEM fields as well as STEM internships.

- The Office of the Secretary leads the Department's participation in the Joint Enforcement Task Force on Workplace Fraud, as designated by the Governor's 2009 Executive Order. The OOS serves as a clearinghouse for workplace fraud complaints received via the Task Force website, telephone and mail, facilitates data and information sharing among member agencies, and provides community outreach opportunities to increase awareness about workplace fraud. In conjunction with the member agencies, OOS also compiles the data and materials into the Task Force's annual report.
- The Office of the Secretary also participated in the Maryland Foreclosure Task Force. Along with the Department of Housing and Community Development, the OOS led the Task Force in developing recommendations to enhance loss mitigation outcomes for homeowners and strengthen Maryland neighborhoods. The OOS collaborated with DHCD to prepare the Task Force's report which included a detailed section on key foreclosure trends and the impact of foreclosures on communities across Maryland.
- In January 2010, the Governor's Workforce Investment Board (GWIB), as the state workforce board, was awarded a \$5.8M State Energy Sector Partnership (SESP) training grant from the U.S. Department of Labor, Employment and Training Administration (DOLETA). The source of funding for the grant, and subsequent sub-grants to the Local Workforce Investment Boards (LWIBs), is the American Recovery and Reinvestment Act of 2009. The SESP is a comprehensive and representative partnership of DLLR/GWIB, LWIBs, state cabinet officials, leaders of the energy efficiency and renewable energy business and industries, labor organizations, educational institutions, and community organizations.
- The purpose of the SESP grant is to fund training projects that prepare and place individuals into any of seven energy efficiency and renewable energy industries. The GWIB leads the SESP and serves as the project administrator responsible for coordinating and managing grant activities, including overall planning, implementation, oversight, and technical assistance. The GWIB works very closely with the Division of Workforce Development and Adult Learning as the fiscal administrator for the SESP grant. Under the Grant, Prince George's Community College graduated the first two classes of Go Solar! Program trainees. 51 individuals completed the training and 46 were placed into jobs.
- In 2010, the GWIB was awarded a one-year, \$150,000 health care workforce planning grant from the U.S. Department of Health and Human Services Human Resources Services Administration. The goal of the grant is to develop a 10-year workforce expansion blueprint designed to increase the primary care workforce by 10 to 25 percent over a 10 year period. The GWIB successfully completed the grant deliverables in October 2011, the result of which was the 'Preparing Maryland's Workforce for Health Reform: Health Care 2020' action plan. The plan was supported by Lieutenant Governor Anthony G. Brown and announced at a press event at Montgomery College.
- In accordance with the Workforce Investment Act of 1998, and on behalf of Governor O'Malley, the GWIB successfully completed the biannual Local Workforce Investment Board (LWIB) Recertification process. Eleven of the Twelve Local Workforce Investment Areas received a two-year Recertification.

- Under the GWIB's Aerospace Industry Initiative, the GWIB partnered with the Pittsburgh Institute of Aeronautics to open the Aviation Technology Maintenance School at Hagerstown Regional Airport.
- Under Skills2Compete, an initiative recommended by the GWIB board and launched on behalf of Governor O'Malley in 2010, the GWIB published "Moving Beyond the Count: Next Steps for Maryland's Skills2Compete Initiative".
- After struggling with an overwhelming case load in FY 2009 and FY 2010 due to an increase in unemployment, the Lower Appeals Division returned to its historical position of regularly meeting its three U.S. Department of Labor performance standards: 30-day time lapse, 45-day time lapse and an average case age, by the close of FY 2011. This was done with a plan of increased staffing and resources, coupled with improvements in operating procedures. Lower Appeals fully expects to continue to sustain quality customer service, in a timely manner during the coming year.
- In 2010, the Board of Appeals (Board) was authorized to hire additional staff to assist in the processing of the unprecedented number of unemployment insurance appeals. The Board received 7,580 appeals filed in FY 2010, 8,826 appeals filed in FY 2011, and 4,909 appeals have been filed in the first quarter of FY 2012. In June 2010, a hearing examiner was transferred from the Lower Appeals Division to the Board and in November 2010, four special examiners were hired. The additional staff resulted in a decrease in the average age of a pending appeal from 120 days at the end of December 2010, to an average age of 78 days at the end of December 2011. The Board's continuing goal is to issue sufficient decisions each month to eliminate the equivalent of a two months backlog each month, thereby continuing to reduce the average age of a pending appeal throughout 2012.
- The Office of Fair Practices (OFP) administers the Department of Labor, Licensing and Regulation's comprehensive Equal Opportunity Program, including: Equal Employment Opportunity (EEO) Program Education and Training Programs; Cultural/Ethnic Diversity Programs; the Americans with Disabilities Act (ADA)/504 Program; the DLLR Diversity Council and the DLLR Volunteerism Program. During FY 2010 and FY 2011, OFP conducted EEO training to 85% of DLLR employees, including managers, supervisors and front line staff. The Office of Fair Practices, together with the Office of Human Resources and the DLLR Training Academy Cadre, participated in conflict resolution training for 365 managers. In FY 2013, OFP will monitor the effectiveness of this training and measure impact on internal complaints. The goal is a 25% reduction in internal complaints.

Workforce Development and Adult Learning

DLLR is placing high priority on programs, initiatives and innovative technology providing greater accessibility and focus on Maryland's workforce system. The system seeks to better prepare the unemployed and reconnect returning veterans, newly dislocated workers, TRADE impacted workers, New Americans, low-wage workers and the "hardest to serve" for the challenges of today's job marketplace. This is accomplished through career pathways to training and employment opportunities empowering them with skills to compete for and succeed in today's job marketplace. This also ensures that employers have the skilled workforce they need to be competitive in today's environment.

The One-Stop System, comprised of a partnership between the 35 One-Stop Career Centers and the Workforce Investment Boards, serves as the primary vehicle for both adults and dislocated workers to access core, intensive, and training services and continues to place nearly 65,000 Marylanders into jobs after receiving workforce services. More than 200,000 Marylanders received workforce services last fiscal year.

Other priorities of the Division include:

Base Realignment and Closure (BRAC)

In June 2011, DLLR was awarded \$7.6 million to conduct workforce training activities addressing the needs stemming from the BRAC 2005. Although approximately 20,000 direct jobs moved to Maryland as of September 15, 2011, many of these jobs are unfilled and present a great opportunity to build a workforce pipeline to support these secure and permanent positions. In addition to these direct federal jobs, an increase in the private contracting industry as well as growth in the tertiary job market is projected to significantly impact Maryland's economy. In response to this growth, DLLR developed a workforce training program to help jobseekers earn the skills and certifications needed for these positions, both in the public and private sector.

Through the FEDirect program, 40 workforce staff throughout the state will receive in-depth training on how to assist our customers in their federal resume and application process. Additionally, for those seeking skills and certifications, the program also allows them to enroll in occupational skills training which provides the opportunity to earn accreditation in high-demand/ high -growth job fields. Lastly, to provide our customers with the real-world application of these skills, an on-the-job training component is offered to promote hiring of those served by the program by offering prospective employers an incentive to hire the employees by offsetting a portion of their salary.

The Maryland Workforce Exchange (MWE)

MWE is Maryland's One Stop online jobs and career database. In April 2011, phase two of the MWE enhancement project was completed.

MWE was enhanced to facilitate searches through the Virtual One Stop (VOS) system. VOS is the most advanced and comprehensive workforce development software available. The system provides integrated services via the Internet for individuals, employers, training providers, workforce staff, and One Stop Career Center partners. The Virtual One Stop delivers workforce development services to individuals 24 hours a day, 7 days a week, from any location with Internet access. VOS uses "Database Intelligence" techniques to allow the user to rapidly search jobs based on comprehensive criteria. Using this state-of-the-art mechanism known as "Laser Job Search Technology," the user scans through millions of jobs instantly. Since the deployment of VOS, Maryland increased online job openings from an average of 8,000 to 80,000-100,000 monthly. The system provides capability well beyond a simple

keyword search, permitting multiple search criteria including occupation, industry, skills, salary, employer name, and more.

Additionally, VOS contains “real time” Labor Market Information (LMI) a comprehensive system that offers the following range of services:

- Provides labor market information to individuals seeking jobs, training, and program information;
- Assists employers looking to recruit talent and assess the labor market;
- Helps providers to successfully promote their programs; and
- Allows LMI professionals to automate their work and increase service efficiency.

MWE VOS system dramatically improved customer satisfaction, staff efficiency, and overall performance. In addition to the core and intensive services delivered by Virtual One Stop, the system offers easy access to key reporting features that provide management with valuable information for improved service delivery and enhanced performance. The integrated workforce system ensures businesses can hire the work-ready employees they need and all Marylanders have the opportunity to obtain jobs allowing them to prosper. The MWE is a free resource of the state’s Workforce System, which includes 34 One Stop Career Centers across Maryland.

Veterans

The Division continues to emphasize transitioning veterans, their spouses, and other eligible persons to the workforce. Special emphasis is directed toward servicing those who are economically or educationally disadvantaged, including homeless veterans and those with barriers to employment. The division has a number of outreach programs to employers to assist in accomplishing these goals of employment. Programs such as the Work Opportunity Tax Credit (WOTC), Veterans Investment Workforce Program (VIWP), Veterans’ Affairs Vocational Rehabilitation and Employment Service (VR&E) and Maryland Center for Veterans Education and Training (MCVET) are examples of outreach programs to increase employment. In the first quarter of FY 2012, a total of 12,620 veterans visited State Workforce Agencies and received staff-assisted services, of which 1,302 veterans received intensive WIA services (in-depth job search and career management assistance), and 5,327 entered employment.

Adult Learning Program

Adult education, literacy, and correctional education programs in conjunction with the workforce development programs ensure a comprehensive and collaborative system of workforce creation that better aligns state education systems with workforce needs. Innovations to integrate the services include the following initiatives:

Adult Education and Literacy Services

- The Adult Education and Literacy Services Office delivers literacy and English language instruction and high school diploma options for adults and out-of-school youth. The Office oversees Maryland’s

Adult Instructional Services and General Education Development (GED) testing programs. Instructional services programs include Adult Basic Education, Adult Secondary Education (including GED test preparation and National External Diploma Program), English for Speakers of Other Languages, English Literacy/Civics Education, Family Literacy, and Workplace Education. The Office responds to both the individual education and employment needs of Marylanders and the workforce training demands of the business community.

- Adult Education and Literacy Services grant awards are issued through a Performance Based Funding Formula, which incentivizes programs to excel in assisting adults to earn high school diplomas and increase levels of skills necessary for transition to the workforce or postsecondary education.
- Representatives from the Adult and Correctional Education Offices are working with the Maryland CASH Campaign to deliver financial literacy instruction, with a focus on saving and using credit. This initiative is important for students who need to finance further education and training.
- After competing on a national level, Maryland was one of eight states selected by the U.S. Department of Education to participate in the National Career Awareness Project, meant to increase and improve career awareness as an overarching goal of adult academic instruction. Rather than being awarded funds, the Adult Education Staff recipients were instead trained by national experts on bringing career mindfulness and planning to their own curriculum and to the forefront of adult learners.
- Local Workforce Investment Boards (LWIBs) and Consolidated Adult Education and Literacy Services grantees operate under an MOU for stronger integration of services to customers. These semi-formal agreements serve as a sounding board for more meaningful, shared best practices between the education and workforce providers and help govern a more relevant, strategic method for ensuring a workforce best suited to the needs of surrounding industries and businesses.
- Partnerships with foundations and competitive grants awarded to DWDAL's Adult Instructional office provide the basis for the incorporation of integrated academic and occupational learning, as well as career awareness curriculum into adult instruction. Initial 2011 pilot projects are being enhanced to incorporate the DOL Career Pathways model.

Highlights:

- Adult Instructional programs enrolled 41,447 students, with 48% of the enrollees in the prime working years (ages 25-44).
- 5,248 Maryland High School Diplomas were issued to adults who either passed the entire GED Testing Battery or completed the National External Diploma Program.
- The number of individuals entering employment following their completion of adult education instructional programs increased by 35% from FY10 to FY11 (from 604 to 817).
- The Adult Instructional program met all Federal WIA Performance Goals for the twelfth straight year.

Correctional Education

The Correctional Education (CE) Program provides academic, library, occupational, and transitional services to incarcerated students in state correctional institutions. The academic program includes Adult Basic Education, GED Preparation, Special Education, English for Speakers of Other Languages, and college courses. The Library Program provides recreational, informational, and research services. Currently, there are seventeen occupational programs with eight nationally recognized certifications. Transitional classes include life skills, financial literacy, employment readiness workshop, and career exploration.

The Correctional Education Program continues as the largest program in DWDAL supported by state General Funds and is therefore more vulnerable to greater cost containment measures than other programs. These challenges notwithstanding, DWDAL is pursuing the following activities:

- In partnership with DPSCS, the DLLR Correctional Education Program opened a Transition Resource Center at MCI-W in April 2011. This limited internet access computer lab supports the important goal of providing an introduction to the internet and job searching practices to inmates soon to be released. This “behind the fence” career center model serves as a best practice in workforce development services for offenders. Plans for possible expansion to other prison facilities are under study.
- To secure funding for lost financial resources, Correctional Education is searching for and applying for grants from private and public funding sources to continue current or new programming that will provide job skills and provide potential job opportunities.
- The Program continues to develop and implement strategies in conjunction with existing and new partners (i.e., Department of Public Safety and Correctional Services, community based organizations, and others.) to prepare and transition inmates for successful re-entry. We have found some of our most successful partnerships are accomplished with departmental support from DWDAL in the One Stop system and Correctional Education divisions.

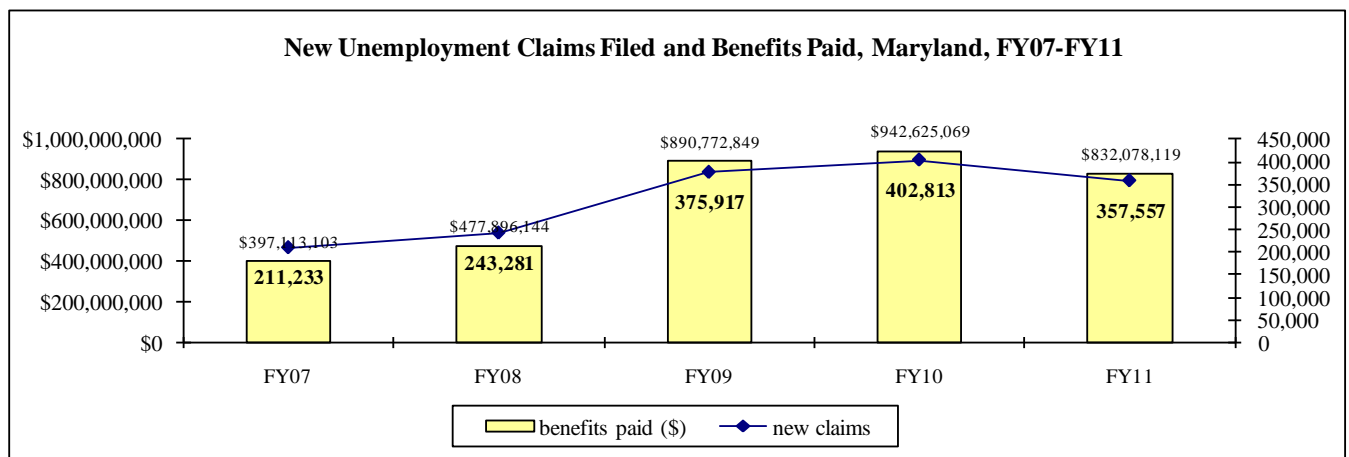
Highlights:

- Approximately 11,400 students were served.
- 702 High School diplomas (GEDs) were earned by students.
- 2,597 Adult Skills Certificates were issued to students designating the completion of instructional levels (representing two or more grade levels).
- 116 students received a college degree, certificate, or letter of endorsement (one Associate’s Degree and 115 Certificates or Letters of Endorsement).
- 3,451 students completed an Employment Readiness or Transitional class.

- 850 occupational students completed intensive occupational training with nationally recognized certifications embedded in most programs.

Division of Unemployment Insurance

Unemployment Insurance is a critical lifeline for working Marylanders during tough economic times. Under the unemployment insurance program, unemployed workers can receive up to 26 weeks of partial wage replacement. In state FY 2011, Maryland paid \$832,078,119 in benefits charged to the Trust Fund, compared to \$942,625,069 in FY 2010, \$890,772,849 million in FY 2009, \$477,896,144 in FY 2008 and \$397,113,103 in FY 2007. New unemployment claims filed during the same periods were 357,557 in FY 2011, 402,813 in FY 2010, 375,917 in FY 2009, 243,281 in FY 2008 and 211,233 in FY 2007.



During the 2011 legislative session, the General Assembly approved the Governor’s Extended Benefit (“EB”) initiative which provided up to 13 weeks of federal unemployment insurance benefits for the long-term unemployed. Since the program began on October 2, a total of 36,770 EB claims were filed, 30,586 individuals received a benefit, and \$82,112,769 in EB benefits were paid through the end of 2011.

The Unemployment Insurance - Tax Deferment, Trust Fund Solvency, and Cost-Neutral Modernization Act passed in the 2010 session and is helping both employers and workers alike as the State’s economy continues to improve. All aspects of the legislation were implemented on time. One provision - increasing the minimum weekly benefit to \$50 from \$25 – takes effect in March of 2012. The 2010 legislation did adjust some aspects of benefits, but – more importantly – did not change basic unemployment insurance payments. The amount of benefits paid (the maximum weekly benefit amount is \$430) and the duration of payments (26 weeks) remained the same.

Three aspects of the legislation were successfully implemented in 2010. First, the legislation allowed Maryland to access \$126 million in federal funds deposited directly into the Maryland Unemployment Insurance Trust Fund for the payment of benefits only. Second, the new law requires the Division of Unemployment Insurance to offer payment plans for unemployment insurance taxes so employers can spread payments out over the entire calendar year. During the past two years, 1,886 payment plans for obligations due were implemented. In addition, the legislation lowered the interest rate for late payments from 18% per year to 6% per year for any year in which Table F is in effect.

Maryland's Unemployment Insurance Trust Fund fared better than the funds in many states. Maryland is one of approximately 24 states ending 2011 without a loan from USDOL to pay benefits. The Trust Fund balance on December 31, 2011 was \$417,768,611. Based upon the statutory measure the Division is required to perform each September 30, the range of rates for employers will not change in 2012. The range of rates that will be in effect in 2012 under Table F is 2.2% to 13.5%, the same rates in effect for 2011.

The Workforce Development Group of the Department of Labor, Licensing and Regulation is an integral part of ensuring the economic vitality of the state of Maryland and in protecting its citizens.

Appendix A – UI loan Balances of February 14, 2012

<u>State</u>	<u>Loan Balance</u>
Alabama	\$58,670,150.72
Arizona	\$377,333,449.53
Arkansas	\$330,853,382.53
California	\$10,133,232,307.48
Colorado	\$382,220,533.06
Connecticut	\$709,875,582.98
Delaware	\$68,031,867.88
Florida	\$1,832,450,000.00
Georgia	\$736,680,472.00
Illinois	\$2,269,795,597.10
Indiana	\$2,022,602,854.60
Kansas	\$95,044,822.19
Kentucky	\$948,700,000.00
Michigan	\$118,325,939.46
Minnesota	\$182,608,604.76
Missouri	\$772,395,878.49
Nevada	\$774,922,957.38
New Jersey	\$1,457,031,938.70
New York	\$3,581,117,766.36
North Carolina	\$2,686,454,769.14
Ohio	\$2,171,276,574.00
Pennsylvania	\$3,522,043,992.53
Rhode Island	\$242,101,222.35
South Carolina	\$782,456,436.93
Vermont	\$77,731,860.63
Virgin Islands	\$32,387,606.49
Virginia	\$319,675,000.00
Wisconsin	\$1,289,134,752.42
Total	\$37,975,156,319.71

The balances of state trust fund loans can be found at:

http://www.treasurydirect.gov/govt/reports/tfmp/tfmp_utf.htm