

VERMONT DEPARTMENT OF LABOR (VDOL)
FY '16 BUDGET SUBMISSION

Vermont Department of Labor (VDOL) Mission & Goals:

The Vermont Department of Labor's mission is to promote and assist the economic growth and vitality of Vermont employers; to help Vermont businesses retain, create and attract new jobs; to ensure that every Vermonter can have a good-paying, secure job in a safe and healthy work environment; to train Vermonters to be a skilled and ready workforce to meet the challenges of the 21st century workplace and employers' hiring needs; to administer economic support, retraining and reemployment assistance to Vermonters who experience loss of their job or a workplace injury; and to provide vital and timely labor market information and analysis to the public, employers, workers, job seekers, lawmakers, researchers and planners to assist with strategic and successful decision making.

- Enable workers to achieve well-paying, secure jobs; and engage in continued learning opportunities that will give them the knowledge and skills for jobs in emerging and growing industries in Vermont.
- Promote programs, policies, information and legislation that support economic growth and competitive advantage for Vermont businesses and job creation in Vermont.
- Promote and enforce policies and laws to ensure that Vermont's workplaces are safe, healthy and respectful.
- Provide program and economic support to Vermonters who are unemployed or seeking new career options, with a focus on populations who face greater employment barriers.

VDOL Divisions and Programs

The Department of Labor is an independent department in State government, and the Labor Commissioner is a direct report to the Governor. VDOL has 290 authorized positions, inclusive of 12 exempt positions (including division directors, general counsel and other attorneys). VDOL's main office is on Green Mountain Drive in Montpelier. VDOL also has a UI Claims Center in Montpelier, and 12 regional offices/Career Resource Centers funded through federal money (primarily Wagner Peyser and Workforce Investment Act). VDOL staff from other programs (VOSH, Project Work-SAFE, Workers' Comp and Unemployment Auditors) may also work from our regional offices.

VDOL consists of the following divisions/organizational units:

- ◆ Unemployment Insurance
- ◆ Workforce Development, including 12 regional Career Resource Centers
- ◆ Worker's Compensation
- ◆ VDOL Safety Division: VOSH and Project Work-SAFE
- ◆ Economic and Labor Market Information
- ◆ Wage and Hour and Employment Practices program
- ◆ In addition, VDOL has the following units: Legal, Fiscal, IT, Administrative Services

VDOL has statutory authority/responsibility for these Councils and Boards:

- ◆ State Workforce Investment Board (previously called the Workforce Development Council)
- ◆ Vermont Employment Security Board (2 public members plus VDOL Commissioner as Chair)
The ESB adjudicate UI issues (claims, benefits, tax rates, penalties), and is the final hearing process before a claim can be filed to the Vermont Supreme Court.
- ◆ Occupational Safety and Health Review Board
- ◆ Department Labor Advisory Council
- ◆ State Apprenticeship Council
- ◆ Passenger Tramway Board
- ◆ Labor Board Review Panel

An Overview of VDOL Programs

Unemployment Insurance and Wages Division

The Unemployment Insurance (UI) and Wages Division processes claims for unemployment compensation, oversees employer tax contributions, ensures UI program performance, integrity and compliance, and provides guidance and enforcement in wage and hour and employment practices issues.

The Employer Services Unit and Unemployment Claims Center handle employer and claimant unemployment insurance issues, and investigate fraud and misclassification.

The Benefit Accuracy Measure and Tax Performance System programs test methods and procedures to ensure compliance with federal performance measures.

The Program Integrity Unit audits paid unemployment benefits to detect and resolve improper payments stemming from unreported employment, which enables credit adjustments to the taxable employers. Currently Vermont has the seventh lowest improper payment rate in the country.

The UI Division is also responsible for administering the Employer Health Care Contributions, Domestic and Sexual Violence Transition Benefits, and Employee Leasing programs.

VDOL's UI Trust Fund balance is \$142.5M. Vermont has no federal loan balance (16 states still have outstanding loans).

The Wage and Hour and Employment Practices program handles a significant number of calls from employers and workers. Most of the calls require explanation of Vermont's labor and employment laws. Staff members also produce educational materials. In cases where there is a possible violation of law, they intake the complaint, investigate and adjudicate if the issue falls within our jurisdiction; if not, they refer it to a different agency where the enforcement authority exists.

The legislature had passed workplace protections that have increased the workload. The W&H program is supported through General Funds.

VDOL has again received a federal grant for our successful Reemployment Eligibility Assessment (REA) grant. The REA program is premised on the idea that early intervention with a person who has become unemployed will lessen their duration on unemployment. In addition, requiring the person to connect, face-to-face with VDOL reemployment caseworkers/job counselors and labor-market specialists will help identify available jobs, as well as possible employment barriers. VDOL staff members are able to enroll Vermonters in programs that will prepare them for jobs and/or connect them to the job openings. The REA program serves all unemployed Vermonters within the first 5 weeks of their unemployment, with 3 personal skill assessment and job counseling sessions. The REA program has decreased the duration of claimant time on UI by 20%.

VDOL is in the second-stage of our UI Modernization work, funded by a large federal grant to Vermont, Maryland and West Virginia. The UI systems were designed and implemented over 25 years ago. The hardware and software of that era is less flexible compared to what is available today. The technology constraints of the system make required federal and state changes challenging.

Economic and Labor Market Information Division (LMI)

The Economic and Labor Market Information Division has a staff of 12 employees and is 100% federally funded. LMI is a State partner to the federal government's US Bureau of Labor Statistics (BLS) which provides nearly 70% of the division's overall funding. The balance of the LMI budget (approximately 30%) comes from the US Department of Labor's Employment and Training Administration (ETA). VDOL's LMI Director serves as an economic consultant to Vermont state

agencies, the State Workforce Investment Board, and many outside entities on key workforce and economic issue and initiatives.

LMI produces a wide variety of Vermont related reports and data about:

- Employment by industry
- Unemployment and labor force statistics
- Wage data by occupation

Unlike the BLS money which is one year money and has strict guidelines on use, ETA dollars can be used over 3 years for a myriad of work, such as:

- Produce long-term (10 year) and short-term (2 year) occupational projections
- Monitor and forecast UI Trust Fund solvency
- Collect data on and analyze employer provided fringe benefit packages
- Promote and maintain LMI data through its website: www.vtlmi.info
- Perform analyses, support special studies relating to public policy such as:
 - ◆ Healthcare workforce study groups;
 - ◆ Wage analyses of publicly-funded training
 - ◆ Development of technical parameters related to hiring incentives for long-term unemployed and veterans
 - ◆ Minimum Wage determinations
 - ◆ Prevailing Wage determinations
- Public outreach: The importance of LMI's public outreach (including our LMI internship program) has been a priority during this year. Through ETA funding, LMI is able to outreach and travel for information and education about the availability and uses of LMI data. LMI offers presentations to Vermont businesses and trade associations, regional workforce development groups, high schools and universities, workforce education and training partners, state agencies, the legislature, non-profit organizations, and to Vermont citizens.

Workers' Compensation and Safety Division

The Workers' Compensation Program administers and adjudicates the statewide WC system. A worker who suffers a work-related injury can receive medical and wage compensation from the employer or the employer's insurance carrier. The WC staff members provide audits, dispute resolution, mediation, adjudication and compliance reviews. The Division's investigators pursue fraud and misclassification and issue stop work orders and administrative penalties to enforce compliance with the law.

The Vermont Department of Labor does not set Workers' Compensation insurance rates; the rate is set by the Department of Financial Regulations.

The Division offers services focused on workplace safety and resolving disputes between injured workers and their employers. The Workers' Comp and Safety Division's goals and strategies are to:

- Reach out to the medical community, business and labor organizations, health and safety associations, insurers and others to reduce injuries, identify best practices, new innovations and trends
- Reduce injuries and shorten time before a return to work
- Make safety a priority for all Vermont employers
- Lower workers' compensation costs
- Determine which business sectors need the most safety focus
- Publicly acknowledge employers in Vermont who have successful workplace safety programs

VOSHA: Vermont has a state-based OSHA program. The VOSHA staff works to ensure that all persons are provided a safe and healthy workplace. VOSHA has jurisdiction over workplace safety and health, inspecting workplaces for violations of VOSHA standards, and issuing penalties for

violations classified as serious and/or uncorrected after being formally advised by VOSHA of the violation. VOSHA Compliance Officers investigate serious workplace accidents.

The program also recognizes businesses for their efforts in workplace safety through programs such as Green Mountain Voluntary Protection Program (VPP). The Vermont Compliance Assistance Specialist works with trade associations and industry groups to help employers comply with the VOSHA Safety and Health standards. The 14 employees are funded by a 50-50 match of federal and state (general fund) dollars.

Project WorkSAFE provides voluntary consulting services to Vermont employers seeking to improve the health and safety condition of their workplace. WorkSAFE's 6 employees are funded with a combination of federal and state funds, (75% is federal money, and the remainder is a mix of State General Fund and funding from VDOL's Workers' Comp administrative fund). Federal OSHA grant requirements have a target of 200 visits to the private sector for on-site safety and health consultations and review/development of safety and health programs. Responsibilities also include: developing and providing safety and health trainings to Vermont companies on new OSHA regulations and other topics; emergency response consultation and assistance with radiological and biological issues, (with the Vermont Departments of Health and Public Safety; maintaining and increasing the amount of Vermont companies in the Safety and Health Achievement Recognition Program (SHARP); and developing recommendations for the Governors' Workplace Safety Awards.

The Passenger Tramway Program has three employees who inspect the construction of ski new lifts; inspect the operation and maintenance of ski tows, lifts and trams and monitors for compliance with State regulations. Each year there are approximately 250 injuries related to ski lifts over the course of 4 million skier days. Vermont's 26 ski areas pay the cost of this program.

State Workforce Investment Board*

The State Workforce Investment Board (SWIB) is designated as the single State Workforce Investment Board under the federal Workforce Investment Act and under Vermont statute, 10 VSA 541. The Department of Labor oversees and provides the administrative support to the SWIB. The work of the SWIB is performed with assistance from VDOL staff at our central office in Montpelier. The SWIB helps to determine priorities and advise on program funding under the federal WIA money. The current chairperson of the SWIB is Frank Cioffi of GBIC. By law, the Council's membership must represent a business majority to help ensure that the workforce development efforts are consistent with business needs. The SWIB advises the Governor on how to best develop and implement a comprehensive, flexible and responsive workforce education and training system.

*(*formerly known as the Workforce Development Council)*

Workforce Development Division

The VDOL Workforce Development Division provides employment services and training assistance to businesses and workers.

Federally-funded programs in VDOL's Workforce Development Division include:

The Workforce Investment Act (WIA) consists of three separate elements, and WIA funding is governed by national allocation formulas.

- The WIA Youth programs focus on serving "at-risk" youth. Priority is given to out-of-school youth, with the option of serving in-school youth most at risk of dropping out.
- The WIA Adult program focuses on individuals receiving public assistance and low-income individuals, who sometimes have limited or no work experience, who need to become job-ready and successfully enter and connect to the labor force.
- The WIA Dislocated Worker program offers workers who have lost their jobs through no fault of their own, due to a layoff, the resources necessary to become re-employed, including job counseling, training and placement assistance. VDOL offers a Rapid Response program for the

workers who will be displaced early in the layoff or plant closure, so that VDOL connects with the affected workers.

The Wagner-Peyser Program offers job search resources and assistance to customers through the VDOL's network of 12 local Career Resource Centers, as well as through our online job matching system (Vermont Job Link). The services and operations at our local offices are federally-funded.

The Trade Adjustment Assistance (TAA) is a federal program which provides benefits and services to workers who become unemployed due to the impact of international trade. The TAA program provides these trade-affected workers with opportunities to obtain the skills, resources, and support they need to become reemployed.

The Alien Certification Program is funded to process applications submitted by employers to bring foreign workers into Vermont. Its role is to ensure that employers explore every source for U.S. workers before issuing a certificate that will allow the INS to bring foreign workers into the Vermont workplace. Two major components are Agricultural and Non-Agricultural Certification.

The Veterans Program: VDOL receives funding (JVSG grant) to support the salaries of our Local Veterans Employment Reps (LVER) and Disabled Veterans Outreach Program Reps (DVOP), stationed in several of our local Career Resource Centers. LVERs have responsibility for meeting with Vermont employers to solicit job opportunities for veterans. DVOPs provide direct services to disabled and veterans and spouses with significant employment barriers. VDOL works closely with Veterans' organizations.

VDOL has a National Emergency (NEG) "Job Driven" grant totaling \$1.5M for employment assistance to long-term unemployed Vermonters.

The Next Generation Program continues to fund a variety of programs that promote the creation and retention of high quality jobs, and the growth of a highly skilled workforce by funding occupational skills training, internships for secondary and post-secondary students, and other specialized training activities that lead to employment with new and existing businesses. The Workforce Education and Training Fund (WETF) has traditionally received approximately \$1M each year from the Next Generation Fund, to support our workforce training, Internship programs, regional workforce initiatives, adult technical education centers, and other job-driven training programs.

State-funded programs in VDOL's Workforce Development Division:

- The Registered Apprenticeship Program continues to be one of VDOL's most effective workforce training models. The combination of technical classroom instruction and paid, hands-on training under a qualified employer sponsor, ensures that training is relevant, current, and directly tied to employment. Apprenticeship is supported by a combination of state general funds and "special funds" that consist of employer-paid tuition for classroom instruction.
- The ABAWD Program: VDOL receives funding from the Department for Children and Families (ESD) to work with the "Able-Bodied Adults Without Dependents" population (receiving Food Stamps). VDOL provides staff, statewide, through our 12 regional offices.

CHALLENGES THAT IMPACT AND FOCUS VDOL'S WORK

- Uncertainty of federal dollars – particularly since the department is 77% federally-funded. The impact of loss of federal funding would most likely be felt by the Workforce Development Division and the regional office structure.
- Competition for job creation from larger states with greater financial resources to attract and subsidize new businesses and jobs to their state.
- Limits on new positions despite workload need. VDOL has managed our operations solely through reassigning positions across division. We have some federal compliance issues that would be greatly assisted by being able to manage to our own budget.
- VDOL computer infrastructure.
- Global and national economic issues that continue to affect the labor market, value of take-home pay, wage disparity.
- Changing demographics of the workforce, and need for significant education and training to meet the hiring needs of the Vermont employers.
- Structural shifts in the economy from globalization, outsourcing, temporary/contract and franchise labor that may result in unanticipated vulnerabilities for Vermont.
- Declining rate of union work with correlating decline in wage and benefit rates among workers in Vermont and in the nation.
- Decline in 4-year college+ degree completion and rising student debt load.

FUNDING TARGETS and VDOL BUDGET PRESSURES in FY'16

The Department of Labor's budget is 77% federally-funded, with the remainder of our funding coming from Special Funds (10%), the State General Fund (10%) and Interdepartmental transfers (3%) for program services. The greatest challenge for the Department of Labor continues to be the uncertainty of our federal funding, as Congress debates their commitment to funding programs in workforce training, unemployment administration, Wagner-Peyser, Trade Adjustment, and substantial changes in Workforce Investment Act (WIA) – now retitled to Workforce Innovation and Opportunity Act (WIOA).

Any loss of funding in federal money in this fiscal year, or future years, will critically undermine VDOL program services and the continued existence of our twelve regional offices. Loss of WIOA or WP funding would likely result in elimination of positions and reducing or closing regional offices. VDOL is always concerned about our federal funding stream for the WD Division, as these programs are often at the center of congressional debate and budget wrangling.

VDOL continues to be concerned about the grant money from DCF – currently for ABAWD. VDOL was cut out of the Reach Up work last year despite meeting or exceeding performance goals. If we are eliminated from the ABAWD grant work, it would require the elimination of up to 14 VDOL employees.

Executive Fee Bill

VDOL's Workers' Compensation and Safety Division receives funding from fees generated by a charge to insurance companies writing Workers' Comp policies in Vermont. VDOL is not seeking a rate increase from the current rate which is set at 1.45% rate (and 1% rate on self-insured employers).