

US VIRGIN ISLANDS  
**DEPARTMENT**  
of **LABOR**

U.S. Virgin Islands

Let Labor Work  
for YOU!

2017

BUDGET HEARING

**CATHERINE A. HENDRY, ESQ.**

COMMISSIONER

JULY 7, 2016

**FISCAL YEAR 2017**  
**BUDGET HEARING PRESENTATION**  
**DEPARTMENT OF LABOR**  
*Submitted by*  
**Commissioner**  
**Catherine Hendry, Esq.**  
*July 7, 2016*

Good Afternoon...Honorable Senator Clifford F. Graham, Honorable Members of the Committee on Finance, distinguished Senators, ladies and gentlemen, and listening and viewing audience. I am Catherine Hendry, Esq., Commissioner of the Virgin Islands Department of Labor.

I am here today with Mrs. Kendra Roach, Assistant Commissioner of Labor, Attorney Nesha Christian-Hendrickson, Legal Counsel for VIDOL, Mrs. Chivonne Romney-Lee, Director of Business and Administration (via skype), and the VIDOL Senior Management Team. We are pleased to appear before you today to provide the Fiscal Year 2017 Budget Overview for the operations of the Virgin Islands Department of Labor (VIDOL).

**MISSION AND VISION**

Our mission is *to administer a system of effective programs and services designed to develop, protect and maintain a viable workforce*. We work to achieve a well-organized/efficient motivated team that helps to ensure the success of our Territory in a global economy through pooling and streamlining our resources “to pull out all the stops” and produce a work ready labor force that is dynamic, career driven, adaptable, technically literate, protected and can meet the needs of employers in a demand driven work environment.

**SCOPE AND OVERVIEW**

VIDOL receives its authority pursuant to Titles 3, 24, 27 & 29 of the Virgin Islands Code, the Workforce Investment Act of 1998, Workforce Innovation and Opportunity Act (2014), the Occupational Safety and Health Act (OSHA) of 1970, and other Federal laws which require development of administrative structures that govern and enforce fair labor standards and protect the people of the Virgin Islands from any threat to health, morals, and general welfare.

The Department is made up of the following divisions/units:

- Hearing and Appeals (HA)
- Workers’ Compensation Administration (WCA)
- Labor Relations (LR)
- Occupational Safety and Health (OSH)
- Workforce Development (WD)
- Unemployment Insurance (UI)
- Bureau of Labor Statistics (BLS)
- Planning, Research and Monitoring (PRM)
- Business and Administration (BA)

VIDOL is a Service, Regulatory, and Social organization. Through these divisions/units we provide a myriad of diverse services and programs that are inter-related to constitute our workforce development system and security system.

## **APPROPRIATIONS**

The total recommended local funding is **\$5,709,595** which represents \$4,367,542 from the General Fund and \$1,342,053 from the Government Insurance Fund. The total non-appropriated local funding is \$1,001,223 and total non-appropriated Federal Funding is \$6,887,517 for a total budget of \$13,598,335. This does not account for \$1,750,000 under the miscellaneous section of the budget which is specifically to pay the interest payment on the Unemployment Trust Fund loan. Additionally, \$7,300,000 has been budgeted for Unemployment Insurance Contributions due and owing from the Central Government of the Virgin Islands which will go directly into the Unemployment Insurance Trust Fund account to pay benefits.

## **PERSONNEL**

The VIDOL is staffed with 121 full time employees territory-wide (63-STX/58-STT). Of the total local budget, \$4,167,445 was budgeted to pay the salaries and fringe benefits of 48 positions. The remaining \$1,542,150 was budgeted to pay such things as rent, electricity, water, supplies/equipment, communication, IT support, etc.

Of the total federal budget, \$4,531,316 was budgeted to pay the salaries and fringe benefits of 73 positions. The remaining \$2,356,201 was budgeted to pay for supplies, other services and charges, utilities, and capital outlays, etc.

## **ACCOMPLISHMENTS**

Despite the budgetary constraints and challenges faced by the Department of Labor, we continue to administer the programs and services we are mandated to provide to the people of this territory in the most effective and efficient way possible to include using technology and other innovations.

### **Hearing and Appeals Unit**

- Of 105 Unemployment Insurance (UI) appeals filed, adjudicated, and decided for FY 2016 the HA Unit closed 81% within 30 days.
- Closed a Total of 93 combined UI Appeals and Wrongful Discharge (WD) cases.
- The HA Unit has succeeded in meeting its target of 79% of cases heard (UI and WD) for Performance Measures/Key Performance Indicators for FY 2016.
- Adjudicated 46 WD cases.

### **Focus for 2017**

- Engage in a Community Education Training geared towards informing high school students and newly hired workers about the labor laws of the Virgin Islands
- Create and maintain a Desk Copy of the HA Processes, and Procedures Manual
- Compile a Resource Law Library of local, federal and U.S. Supreme Court Cases affecting 3rd Circuit issues on Wrongful Discharge cases, Discrimination Laws, Workers'

Compensation, VI Rules and Regulations, jurisdiction issues, applicable USDOL policies/rules, and Region 1 articles

- Close all WD cases within nine months and all UI appeals cases within 30 days

### Workers' Compensation Administration

<b>BENEFITS PAID FY2016</b>			
<b>WCA issued Orders to the Government Insurance Fund totaling \$2,339,017.00</b>			
<b>Active Claims: 2,857</b>			
	<b>St. Croix</b>	<b>St. Thomas</b>	<b>TERRITORIAL TOTAL</b>
Disability Benefits: -Temporary Total Disability -Permanent Partial Disability -Permanent Total Disability	\$ 441,715.00	\$ 535,835.00	\$ 977,550.00
Death	54,000.00	0.00	54,000.00
Medical	827,052.00	480,415.00	1,307,467.00
<b>TOTAL</b>	<b>\$1,322,767.00</b>	<b>\$1,016,250.00</b>	<b>\$2,339,017.00</b>

### Focus for 2017

- Automate WCA claims process
- Develop a WCA Return to Work program

### Division of Labor Relations

- Closed 74 cases for FY 2016
- Issued 163 Child Labor Certificates
- Processed 22 Wage Claims resulting in \$9,553 in back wages owed to employees
- Processed 12 Discrimination Claims

### Focus for 2017

- Continue outreach to inform the community on the labor laws of the Virgin Islands
- Obtain TWIC cards for LR Officers
- Hire a LR Specialist on St. Thomas
- Hire one (1) Compliance Officer on St. Thomas and one (1) Compliance Officers on St. Croix

### Division of Occupational Safety and Health

- Completed 74 OSHA Inspections (30-Health/44-Safety)
- Activated the Public Sector Consultation program
- Performed OSHA educational outreach to several Public Sector Agencies

### Focus for 2017

- Obtain State Plan Certifications
- Improve the Workplace Safety and Health for all state and local employees in the U.S. Virgin Islands

- VIDOSH will provide effective outreach and consultation

### **Division of Workforce Development (Adult & Youth Services)**

With the mandate of the Workforce Innovation Opportunity Act (WIOA) by President Obama signed on July 1, 2014, the public workforce system was provided an opportunity to improve the quality of its workforce, reduce welfare dependency, increase economic self-sufficiency, meet the skill requirements of businesses; and, enhance the productivity and competitiveness of our local economy.

With these objectives in mind, the legislation also introduces and mandates the coordination between four (4) core federal programs: Employment Services, WIOA Programs (Dislocated Worker, Adult & Youth), Adult & Basic Education, and Vocational Rehabilitation activities. This transformational approach seeks to improve the quality of life for job seekers and workers through an “integrated, job-driven system that links diverse talent to business and employment.”

In order to meet this challenge and satisfy these mandates, the Virgin Islands State Workforce Investment Board (SWIB), embarked on a journey to engage and develop collaborative partnerships with key representatives of the core agencies and other identified workforce system partners and stakeholders.

Transitional planning activities were initiated in May 2015 and all stakeholders have been working feverishly to design and develop the ‘blueprint’ for the Virgin Islands’ Five (5) Year Strategic Workforce Development plan to adhere to the July 1, 2016 implementation date.

In the interim, VIDOL continues to administer programs and services consistent with the requirements of our Federal Program grants to all eligible job seeker, unemployed/underemployed, dislocated workers, employers and businesses. These programs, services and activities include but are not limited to the following:

- *Workforce Preparation Workshops, (i.e. interviewing skills, resume writing, etc.)*
- *Educational & Skill Assessments*
- *Career Counseling*
- *Access to Labor Market Information*
- *Job Search Assistance*
- *Referrals to Jobs, Occupational Training, Post-Secondary Education and Support Services*

During this report period, a total of one-hundred & thirty two (132) individuals territory wide received ‘Occupational Skills’ training at a cost of \$320,588. These training programs were administered by the following providers: NETWAVE, UVICELL, HANDS ON CARE, Caribbean Institute for Training & Development (CITD), PENNTIUM, TANG HOW BROTHERS and CTEC.

In addition to ‘year-round’ offerings to targeted members of the unemployed youth, adult & dislocated populations that we are required to serve, members of the Workforce Development team routinely engage in outreach activities in conjunction with other community partners;

provide educational seminars for employers, new business; conducts job fairs and other workforce related symposiums and conferences.

The Summer Youth Work Employment Program (SYWEP) continues to be a mainstay on our Youth Services agenda and several partnerships with community Youth organizations, have aided our efforts to engage, connect and collaborate with several external Youth Program providers. This fiscal year, we have received a total of 1,385 applications from young people interested in participating in the SYWEP which is a component of the year round Youth Program offerings which are available to Youth ages 16-24. To date, almost 500 youths have been registered to participate in this work experience program.

During this Program Year, several initiatives were implemented to enhance and expand our menu of services. These included the following:

- Introduction of the 'Work, Learn & Earn' Program for out of school Youth
- Introduction of the 'GED Fast Forward' Program
- Upgraded the Virgin Islands Electronic Workforce System
- Workforce Development Web Page and development of promotional/marketing strategies to our dis-engaged workforce customers
- Identification and utilization of innovative, accessible and on-line workforce development resources to connect customers with a wide variety of learning and training opportunities.
- Certified 100 job seekers so that qualified employers would be able to receive Work Opportunity Tax Credits (WOTC).
- Introduced an online system that allows businesses and consultants to submit WOTC requests electronically
- Promoted Foreign Labor Certification (FLC) Program and educate community about the benefits of the program
- Established a professional development program and plan to ensure that all WD staff attain credentialing and certification, and induction into the *National Association of Workforce Development Professional* (NAWDP) organization.

### **Focus for 2017**

- Implementation of the VI Workforce System Strategic Action Plan
- Develop and execute the WIOA Businesses Engagement Strategic Plan
- Develop and launch the Workforce System Marketing Campaign
- Update Workforce Development Website
- Develop and deploy strategies to identify new opportunities for improving Employer Engagement and strengthening existing partnerships
- Introduction of new learning, training and credentialing opportunities for the Virgin Islands unemployed, under-employed and incumbent workforce
- Reorganize the VI Workforce & American Job Center staffing structure to reflect an integrated, seamless, and more accessible service delivery system
- Create Program & Activity Plans with "related budget & spending" plans for all federal and local grants

Fast track efforts to ensure that a “Succession Plan” is created for the WD Unit

### **Division of Unemployment Insurance**

- Processed 1,349 initial claims and paid benefits totaling \$6,591,460
- Trust Fund Balance as of June 24, 2016 = \$3,551,788
- Initiated Agreements with sister agencies to assist with our collection efforts
- Obtained additional staff to enhance the Tax Unit and collected \$5,142,783 in contributions
- Received modification of the Re-employment Administration Grant funds to improve services
- Staff completed adjudication training with the USDOL Employment & Training Administration

### **Focus for 2017**

- Re-establish the experience rating for employers.
- Establish and implement an audit program.
- Create an enforcement unit for compliance of employers.
- Reduce the number of overpayment claims.
- Conduct cross training of Unemployment Insurance Division staff.

### **Bureau of Labor Statistics**

- Complete required industry and occupational projections for two year and ten year period for PY15/FY16 cycle.
- Assisted WIB in economic analysis, workforce analysis, and strategic vision for Workforce Innovation Opportunity Act (WIOA) State Plan.
- Published Labor Market Information available at [www.vidol.gov](http://www.vidol.gov)

### **Focus for 2017**

- Work with U.S. Bureau of Labor Statistics to re-design the labor force estimates model to calculate the unemployment monthly rates.

### **Planning, Research and Monitoring Unit**

- Completed the PRM monitoring guide
- Conducted Site Visits to SBDC, UVI CELL, CITD, HANDS ON CARE
- Completed the Labor Exchange Validation (LEX)
- Completed the Benefits, Timeliness, and Quality (BTQ) Review
- Completed the requirement for Civil Rights Conciliation (CRC)
- Completed the WIA Data Element Validation (DEV) of 478 records
- Completed the monitoring of the first and second quarter monitoring of the Adult, Dislocated Worker and Youth activities for WIA/WIOA
- Completed 15 Compliance requests for Economic Development Commission (EDC).

### **Focus for 2017**

- Adhere to the monitoring cycles for USDOL
- Increase the depth of the Program monitoring, and include all federal & local Programs in order to meet the USDOL and the Local requirements.

## Automation Focus for FY 2017

**Data Validation:** We are in the process of developing a data validation module to enhance our data validation performance. With the US Virgin Islands lagging as much as 10 years behind other states in data validation functionality, our federal reporting accuracy had been severely compromised. With the installation of the new software and hardware upgrade, we will be able to produce validation counts for each of the benefit and tax populations, compare counts to the federal report counts, detect duplicate transaction entries, and produce final summary and analytical validation transaction reports. Data validation accuracy will increase emphasis on our performance accountability for various UI programs such as the Resource Justification Module for allocating UI administrative resources, Government Performance and Result Act and the Chief Financial Officers Act.

**Interactive Voice Response (IVR):** Currently the UI agency services approximately 3500 employers and 2500 claimants. Implementation of an IVR system will enable the VIDOL computers to detect voice, dual-tone, and multi-frequency signaling (DTMF) keypad inputs. The technology will be used extensively in telecommunication. The IVR system will allow the UI claimants to service their own inquiries by certifying via telecommunication as opposed to weekly commutes to our local offices. Avaya voice portal will be integrated into the IVR system. Remote diagnostics and resolutions will help us rapidly resolve potential problems, saving time and reducing the risk of an outage. Avaya offers every level of support for communications solutions with both niche and end-to-end services, available globally.

**Remote Deposit:** VIDOL is in the process of installing a Remote Deposit portal on our computers. The system will allow authorized staff to scan checks and transmit the scan images and/or ACH data to a local banking institution for posting and clearing.

**Direct Deposits:** Direct Deposits will allow for electronic transfers of unemployment insurance payments directly into the customers checking or savings bank account. Our long term goal is to go paperless in servicing both employers and claimants by accomplishing these processes electronically, thereby reducing human error and personal time as well as adding conveniences to effectively service our stakeholders.

Implement an electronic cloud based **Case Management System** for the Division of Labor Relations and Hearings and Appeals Unit.

## CHALLENGES

The Department of Labor provides diverse programs and services that interconnect to constitute our workforce development and labor security system. Most of our programs with the exception of the Divisions of Job Service and Unemployment Insurance are either partially or fully funded by the General Fund and are dependent on the local governments financial commitment in order to administer these critical programs and services. VIDOL is facing serious financial

challenges. Our department is critically understaffed in our locally funded programs namely, WCA, LR, PRM, and HA. This situation is negatively impacting my staff who continue to give their very best day in and day out. We serve over 10,000 customers annually. We continue to bolster our local programs to ensure that we can administer the programs that develop, protect and maintain a viable workforce. In addition, as we move forward in this technologically driven world, special attention must be given to our Information Technology infrastructure which includes a partnership with the Bureau of Information Technology (BIT).

A **supplemental budget request** was submitted to OMB for FY 2017 in the amount of \$1,617,396. This request seeks to address the unfunded vacant positions that are deemed critically necessary for efficient operations at VIDOL. Out of the twenty-six (26) positions listed, 12 of them are revenue generating and or compliance and enforcement related, which are crucial elements in the effectiveness of our Unemployment Insurance Tax and Labor Relations units. Additional items in our supplemental budget request will fund the much needed financial support of our IT infrastructure, specifically, software maintenance, licensing, as well as the various automation projects that are being implemented. It is imperative to point out that of the \$1.6 million requested, \$318,130 was appropriated. Three (3) of our IT employees would have been displaced on September 30, 2016 if it was not for this appropriation. We thank you.

We ask you to reconsider the remainder of our supplemental budget request. Many of the unfunded positions are extremely important for our department to function at minimum, and to be as efficient as possible.

The **Insolvency of the Unemployment Insurance Trust Fund and Delinquent Employers** are critical. Delinquent employers currently owe \$41,647,426 to the Trust Fund and the outstanding balance as of June 2016 due in Trust Fund loans is 69.4 Million Dollars. In addition, because of this outstanding debt, employers received reduced Federal Unemployment Tax Act (FUTA) credits. This outstanding debt negatively affects every taxable employer in the territory. For every year the loan goes unpaid the FUTA credit will be reduced. Fortunately, for Tax Years 2014 and 2015 we were granted a waiver of the additional credit reduction from the U.S. Department of Labor. We have requested a waiver for the 2016 tax year as well and are awaiting the response the Secretary of Labor Thomas Perez. However, please bear in mind that as long as the debt remains unpaid, the penalty will continue to increase.

Our plans to reduce/eliminate this debt include legislative reform of Chapter 12, Title 24 Unemployment Insurance. The legislation will produce the conduit to begin the process of paying back the debt and creating solvency in the local trust fund. The legislation is designed to reduce benefits to previous levels and establish penalties for employers who engage in frequent layoffs.

This fiscal year, we were adversely impacted both financially and physically by an unexpected issue concerning the quality of the air environment at our St. Croix facility at 4KA Sion Farm. Since March of this year we have been arduously addressing this situation and after extensive air quality testing, renovations/repairs, remediation, and cleaning of this facility we have incurred an unexpected cost of \$40,000. There are still more proactive measures that are

being taken that will cost the department additional monies. Nevertheless, the safety and health of our employees are of utmost importance.

## **CONCLUSION**

I would like to personally thank the Mapp/Potter Administration and the team of the Department of Labor for their herculean efforts in behalf of the people of the U.S. Virgin Islands.

Good Senators, we humbly and respectfully ask that you grant us favorable consideration at the recommended level.

Once again, thank you for the opportunity to present the Department of Labor's FY 2017 budget. My staff and I are ready to answer and or address any questions you may have at this time.