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**Testimony of Kim Moore, Director, Bureau of Employment Services
Maine Department of Labor**

**Neither For Nor Against LD 581, “Resolve, To Expedite the Processing of
Applications for Certification under the Federal Work Opportunity Tax
Credit”**

Before The Joint Standing Committee on Labor and Housing

Date of Hearing: March 15, 2021

Senator Rafferty, Representative Sylvester, and members of the Joint Standing Committee on Labor and Housing, my name is Kim Moore and I am the Bureau Director of Employment Services at the Maine Department of Labor (Department). On behalf of the Department I am offering this testimony neither for nor against LD 581, “Resolve, To Expedite the Processing of Applications for Certification under the Federal Work Opportunity Tax Credit.”

This bill would require the Bureau of Employment Services to establish a new position that would expedite the processing of applications filed by employers for the federal Work Opportunity Tax Credit program (WOTC). The Department would also be required to submit a report back to this committee on the progress taking place. We appreciate Representative Talbot Ross bringing this bill forward. However, the funding proposed in this bill for the Department to expedite the processing of WOTC applications is not in the biennial budget and the fiscal situation has changed since last year. With a future made unpredictable due to the ongoing pandemic, the state must propose balanced budgets, as required by the Constitution. These budgets make good on the promise of government, which is to protect and support the wellbeing of our people and institutions. At a time when we are facing curtailments, we could not ask for new positions funded by the General Fund but we are supportive of the intent of this legislation. The Department is currently pursuing additional WOTC funding through the USDOL.

The WOTC program provides tax credits to employers who hire individuals that typically face serious barriers to finding employment. Some of these individuals include qualified veterans, justice-involved individuals, SNAP (food supplement) program recipients, and vocational rehabilitation referrals. This program has done an incredible job of breaking down potential barriers for populations that have a difficult time finding work. The WOTC program incentivizes hiring of populations who often watch from the sidelines while their neighbors thrive in the workforce, and encourages a more diverse and inclusive workplace.

In 2015, the program was not reauthorized. Despite this, the Department was still required to accept applications without having the ability to process them. The number of applications received each month may vary depending on the number of new hires and season. Normally the average is 1000

applications a month, but this can spike during the spring and pre-Christmas periods and drop off between January and March.

One of the key issues we face as a Department is a declining amount of funding from federal appropriations. In 2017 and 2018, Maine received approximately \$90,000 a year to be used on the WOTC program. In 2019, our allocation for WOTC processing decreased to \$80,000 and has continued decreasing- last year's allocation was \$76,000.

To help address the backlog (about 41,000), the Department purchased the CertLink WOTC management system, which helps with the automated processing of applications. CertLink checks for errors and omissions and will not allow submission if there is a problem. This is now in use and will be a time saver as we will not need to enter the data of the applications and some of the errors will be eliminated.

To further help speed up the process, the Bureau has partnered with our colleagues at DHHS. Previously, any applications that stated the applicant was the recipient of some of the DHHS programs had to be looked up in the Automated Current Employment Statistics (ACES) system, which took about 20 minutes for each application. Through an agreement and Memorandum of Understanding (MOU) with DHHS, we now receive this information on a spreadsheet based on the applicant data we submit, which has been a significant time saver. We are also working closely with the Center for Workforce Research and Information (CWRI) and the Bureau of Unemployment Compensation, and CWRI has provided us with the necessary UI data needed to properly evaluate applications.

Even with these actions, the backlog of WOTC applications is growing. WOTC-funded staff are working diligently on the tasks required to process applications- a laborious, multi-step process. Checking previous employment, gathering and confirming information from a multitude of partners to support documentation, confirmations, re-confirmations, and a 10% audit sample all take significant staff time to accomplish; regardless of whether the application is certified or denied. With a 50% WOTC certification rate, half of the time invested is not considered in the federal funding formula. Maine's WOTC allocation of \$76,000 in FY20 is grossly inadequate to process the 13,000 applications that come in yearly, and nearly half of the allocation is spent on the Certlink system. On February 8th of this year, the Department was notified that the Employment and Training Administration will again distribute backlog funds to states with the most critical needs to alleviate their backlogs. Maine immediately responded that we are interested in being considered for possible additional funding, and we hope to be selected. We unfortunately were not selected for this supplemental funding last year.

Thank you very much for your time and consideration of my testimony. I would be happy to answer any questions you may have and will be available for the work session.

The Maine Department of Labor is committed to serving the state's workers and businesses by helping employers recruit and train a talented workforce, providing workers with skills needed to be competitive, assisting individuals when jobs are lost, ensuring safe and fair workplaces for people on the job, and conducting research and analysis of employment data to support job growth.