NATIONAL ASSOCIATION OF STATE WORKFORCE AGENCIES

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FY 2007 APPROPRIATIONS
SUMMARY OF REQUEST

March 29, 2006
10:15 a.m.

Submitted by
JoAnn Hammill,
President of NASWA and Assistant Commissioner of Labor,
New Jersey Department of Labor and Workforce Development

The National Association of State Workforce Agencies recommends the following fiscal year (FY) 2007 appropriations in order to maintain our nation's commitment to the workforce investment system vital to serving the employment needs of business and workers. Amounts requested below are the levels appropriated for the workforce system in FY 2005 unless noted otherwise.

Unemployment Compensation

- $3.023 billion for the state administration of unemployment compensation
(This amount represents $283 million more than requested by the Administration for operations and $100 million more for updating computer systems.)

Workforce Investment Act Programs

- $1.5 billion for dislocated worker state allocations
(This is the amount appropriated for this program in FY 2005.)

- $891 million for adult employment and training activities
(This is the amount appropriated for this program in FY 2005.)

- $987 million for youth training activities
(This is the amount appropriated for this program in FY 2005.)

Employment Services

- $781 million for employment service state allotments
(This is the amount appropriated for this program in FY 2005.)

- $35 million for reemployment services grants
(This is the amount appropriated for this program in FY 2005 included as a portion of the ES state allotment totaling $781 million listed above.)

- $98 million for one-stop / America's Labor Market Information System
(This is the amount appropriated for this program in FY 2005.)

Attachments
1. Statement for the Record
2. Biography of JoAnn Hammill
3. Federal Grant Disclosure Statement

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NATIONAL ASSOCIATION OF STATE WORKFORCE AGENCIES (NASWA) STATEMENT ON FISCAL YEAR 2007 APPROPRIATIONS SUBMITTED BY JOANN HAMMILL, PRESIDENT OF NASWA AND ASSISTANT COMMISSIONER OF THE NEW JERSEY DEPARTMENT OF LABOR AND WORKFORCE DEVELOPMENT

Mr. Chairman and Members of the Subcommittee, thank you for the opportunity to testify today on appropriations for the nation's publicly-funded workforce system. The National Association of State Workforce Agencies (NASWA) respectfully submits this testimony for the record.

The mission of NASWA is to serve as an advocate for state workforce programs and policies, a liaison to federal workforce system partners, and a forum for the exchange of information and practices. Our organization was founded in 1937. Since 1973, it has been a private, non-profit corporation, financed by annual dues from member state agencies.

During the past few years the nation's economy has performed well. Today, labor markets are tight, and many economists believe we are at "full employment" with an unemployment rate of 4.8 percent. This does not mean, however, employers are not seeking employees and workers are not preparing for and searching for jobs. Nor does it mean we no longer need to provide sufficient federal funds for the public workforce system. To the contrary, there is much activity in our dynamic labor markets, and the public workforce system plays a vital role in helping employers to find qualified workers and workers to train, prepare, and find good jobs.

Today, the nation's workforce system is meeting the challenges of "globalization" directly as it serves the needs of employers and workers. The system continues to meet or exceed federal performance standards in nearly all programs. Yet, it has become a target for cuts in federal funding. The system was cut by 7 percent, or nearly $200 million, in fiscal year 2006. And, the Administration proposes an additional cut of 21 percent, or more than $500 million for fiscal year 2007. If implemented fully, these cuts will depress performance and impede the system's ability to help employers and workers meet the growing competition in the global economy. Please do not take the public workforce system's ongoing contributions for granted. The nation's employers and workers need and want its services.

Workforce Investment Act (WIA) Programs – In order to meet the needs of both workers and employers over the coming year, NASWA recommends restoring the following fiscal year 2005 funding levels for WIA programs: $1.5 billion for WIA Dislocated Worker state allocations; $891 million for the WIA Adult program; and $987 million for the WIA Youth program. NASWA's request for WIA Dislocated Worker, Adult, and Youth programs are $275, $179, and $146 million more, respectively, than the Administration's fiscal year 2007 request.

According to the Employment and Training Administration's data for program year 2004, the latest annual data available, workforce system programs have shown continuous improvement in meeting, and in most cases, exceeding their Government Performance Results Act (GPRA) goals. Some 86 percent of adults and 91 percent of dislocated workers were still working in the third quarter after exiting their programs compared to GPRA targets of 85 percent and 91 percent respectively. After receiving WIA services, adults increased their annual earnings by an average of $3,723. This is more than $300 higher than the average annual earnings gain for the same quarter last year. Moreover, dislocated workers averaged 92 percent of their pre-dislocation earnings, a good earnings replacement rate for workers who have lost their jobs permanently because of plant closings or other economic dislocations.

For older youth (ages 19 to 21) receiving WIA services from the publicly-funded workforce system, 72 percent were employed in the first quarter after receiving services compared to the GPRA target of 68 percent. Some 65 percent of younger youth (ages 14 to 18) who entered the WIA Youth program without a high school diploma, or an equivalent, attained a diploma by the first quarter after exiting the program. This is compared to the GPRA target of 53 percent.

The Administration advocated budget cuts to workforce system programs and asserted there would be no harm to the level or quality of services. Why? Because the Administration asserts states have significant unexpended carryover WIA funds and spend too much on infrastructure. NASWA disagrees and so does the Government Accountability Office (GAO). NASWA and the GAO believe that obligations, along with outlays, should be used as indicators of spending. It is inaccurate not to count obligations as committed resources when they will be used to compensate training providers and other providers of services. Further, we agree with the GAO that Congress intended the workforce system to have more than a year to spend WIA funds. WIA authorized state and local governments a total of three years to spend Title I-B Adult and two years to spend Youth and Dislocated Worker funds. That is what states have been doing.

Last year, the Employment and Training Administration (ETA) produced a chart showing 36 percent of workforce system costs were spent on "infrastructure." It implied the workforce system spends too little on direct services for workers and businesses and too much on "infrastructure." In response to ETA's chart, NASWA compiled detailed information on these costs from Texas, Minnesota, and Oklahoma, representing large, medium and small budget states. NASWA's survey of these states revealed significantly lower infrastructure costs than shown by ETA.

Contrary to the Administration's assumptions, rapid response and statewide services are not infrastructure costs. Rapid response includes the mobilization of state services to assist workers affected by mass layoffs, including career counseling, job search assistance, assistance in filing for unemployment insurance, and more. Statewide services constitute 10 percent of the formula grant allocation to states under governors' discretion, with most of these resources spent on direct services for workers and employers. Using ETA's methodology and appropriately removing rapid response and statewide service costs from the infrastructure column, NASWA revealed infrastructure costs averaging 25 percent, or 11 percentage points less than the figure shown by ETA. And, state data revealed core and intensive service spending attributable to direct services to workers and businesses averaging 22 percentage points higher than shown by ETA.

While NASWA believes states could direct more WIA funds to training if they had more flexibility under federal law, WIA emphasized a sequence of services that put core services (job search and placement assistance, career counseling, resume assistance, etc...) first and intensive services (development of an individual employment plan, case management, etc...) second if a worker could not succeed by receiving core services only. This sequence of services recognized that most workers only need labor exchange services to succeed. It was only after receiving core and intensive services, and failing in the labor market, that some workers were to receive training. This was viewed as the most efficient sequence of services. With WIA also emphasizing "universal services" for all workers, it is not surprising the system provided less costly, but effective, core and intensive services first and then training to a limited number of persons later. This was the intent of WIA.

NASWA continues to support an increase to WIA program appropriations to enable the system to provide the training and core and intensive services needed by workers and employers seeking assistance. NASWA also welcomes an objective assessment of administrative and infrastructure costs by an organization such as GAO. NASWA believes it is unrealistic to expect transformation into a demand-driven system by arbitrarily shifting at least 75 percent of federal workforce system funds to training as proposed under the Administration's "Career Advancement Accounts." Successful core and intensive services provided by one-stop career centers under WIA would be cut under the Administration's proposal and overall performance likely would decline.

Employment Service (ES) Program – NASWA members are concerned about recent reductions to the ES program, including the elimination of the Reemployment Services (RES) program. NASWA requests $92 million more than the Administration for fiscal year 2007 employment service state allotments for a total of $781 million.

For program year 2004, the ES provided service to over 14 million persons at a cost of $56 per person served. Latest workforce system results for that year reveal 64 percent of registered job seekers entered employment (earned wages from a new employer in the first or second quarter after registration) compared to the GPRA target of 58 percent. This was at a cost of about $87 per job. The employment retention rate for the ES program, defined as workers retaining employment for two quarters after entering employment, reached 81 percent, or 9 percentage points above the 72 percent GPRA goal.

A recent survey of NASWA members revealed cuts to ES and WIA programs combined in fiscal year 2006 will decrease state ability to operate smaller one-stop offices, reducing in-person services predominately in rural areas. In addition, these cuts will affect dramatically ES program services because most states will be forced to cut personnel. States reported the effect will lead to decreased in-person service.

America's Job Bank (AJB) – Many states are concerned about ETA's proposed elimination of AJB. AJB was developed in 1995 as the first national job bank on the Internet to assist employers in finding qualified workers and job seekers in finding jobs. AJB complements other resources available in the private sector. Over 440,000 employers use this tool to find qualified workers and there are over 2.1 million job openings listed. ETA has assured states it will try to resolve their concerns. NASWA plans to work with these states to assist them and ETA in the resolution of these concerns.

Unemployment Insurance (UI) Program – Secretary of Labor Elaine Chao stressed in her recent statement submitted to the House Labor, Health and Human Services and Education Appropriations Subcommittee a desire to improve the financial integrity of the UI system. NASWA supports this goal, but states are finding it increasingly difficult to accomplish. To help achieve this goal, NASWA's request of $3.023 billion for state administration of UI in fiscal year 2007 exceeds the Administration's request by $283 million for UI operations and $100 million for computer system modernization. The $283 million is an additional amount states have said they need as determined under ETA's Resource Justification Model (RJM). The RJM is a tool used by ETA to determine how much states believe they need to administer their UI programs. In addition, the $100 million would help states modernize their out-of-date computer systems.

Since 1995, appropriations for UI state operations have not been adjusted for inflation. Although it is true the UI program operates more efficiently today than it did ten years ago, further improvements in productivity are increasingly difficult to attain with marginal changes to out-of-date computer systems in many states, some of which are more than 30 years old. Further, rising personnel and service costs without corresponding increases to federal level appropriations are forcing states to cut staff, reduce integrity efforts, and seek other sources of funding.

Congress should consider the need to fund UI administration fully if it aims for further improvement in the efficiency and integrity of the system. Although the UI program is considered "moderately effective" by the Office of Management and Budget (OMB), NASWA believes states could do more with additional federal funding to combat UI benefit overpayments and employer fraud. States continue to improve efforts to collect UI benefit overpayments, but were two and a half percentage points below the GPRA goal of 60 percent. In addition, the percentage of UI benefits timely paid by states to workers was a half percentage point below the GPRA goal of 90 percent.

Labor Market Information (LMI) – NASWA supports a return to the fiscal year 2005 appropriated level of $89 million for the One-Stop/America's Labor Market Information System (ALMIS) funding. Funding for labor market and workforce information was cut 17 percent in fiscal year 2006 from the 2005 appropriated level. In addition, the Administration has proposed another 17 percent cut for fiscal year 2007.

When NASWA asked states about comparable cuts to LMI funding, most of them said they would have to cut training in the use of LMI and cut updates and improvements to career and occupational information. In 2004, 45,000 customers, such as employers, workers, students, economic developers, and educators received training in the use of LMI and there were 2.6 million visits to career and occupational information on state web sites.

This sizeable funding cut will damage some of the programs most important to businesses in a demand-driven system. For example, a significant loss could be to the high quality of employment projections critical to the identification of industries and occupations where employment growth will occur in individual states and labor markets. Not only would the high quality of these projections probably suffer, but recent advances in linking projected occupations to skills in demand to guide economic developers and educators probably would suffer too.

Veterans' Employment and Training Service – NASWA supports the Administration's fiscal year 2007 budget request for VETS programs including $161 million for VETS state administration of the Disabled Veterans Outreach Program (DVOP) and Local Veterans' Employment Representative (LVER) program. The GAO recently completed a study regarding the implementation of the Jobs for Veterans Act. The study reported most states have made substantial progress in the implementation of the Act.

The Jobs for Veterans Act (JVA) requires states to submit to the Secretary of Labor, "a plan that describes the manner in which states shall furnish employment, training, and placement services required under this chapter for the program year." NASWA members believe the annual plan required by the Jobs for Veterans Act will be greatly improved by moving the funding for these programs from a fiscal year to a program year funding cycle. By transitioning funding to a program year (July 1 to June 30) and aligning it with most other employment and training programs, the plans state workforce agencies submit to USDOL Veterans Employment and Training Service (VETS) will reflect future program year services based on actual outlays. Funding on a program year supports integrating VETS-funded programs into WIA one-stop career center systems and planning and performing on the same cycle as other one-stop partners.

The OMB gave VETS a rating of "Moderately Effective" for the administration of these programs. OMB officials said in program year 2003 over 1.2 million veterans were served by the One-Stop Career Center system of which 863,000 were served by the staff funded under the DVOP/LVER programs. Although VETS received the second highest rating, they were informed the highest rating would have been assigned, but the change to using common performance measures "prevented a fair comparison with performance in earlier years."

Hurricane Recovery Efforts – Following the devastating hurricanes of last fall, the nation's publicly-funded workforce system mobilized immediately to assist workers and businesses. Nearly every state took in evacuees from Louisiana and Mississippi and they continue to provide workforce services to many of those individuals. We encourage you to visit with the Department of Labor regarding the remarkable response by states and the ongoing challenges of serving the unanticipated number of additional people within existing resources. NASWA thanks the Subcommittee for its quick action to appropriate supplemental funding to deal with the disaster. NASWA hopes you will consider our FY 2007 appropriations request so the system may again respond quickly and effectively to emergent workforce needs.

Mr. Chairman, NASWA understands the pressures Congress faces as it confronts the task of cutting the federal budget deficit. However, we believe the performance of the publicly-funded workforce system warrants your support. The ability of our nation's employers and workers to respond to the challenges of globalization depends on it. Thank you for considering our request.

JOANN HAMMILL

PRESIDENT OF NASWA AND ASSISTANT COMMISSIONER OF THE NEW JERSEY DEPARTMENT OF LABOR AND WORKFORCE DEVELOPMENT

As the Assistant Commissioner for Workforce New Jersey in the Department of Labor and Workforce Development, Mrs. Hammill is responsible for the leadership and oversight of the State's employment and training programs, which include the Divisions of One-Stop Coordination and Support, One-Stop Programs and Services and Business Services. During her 30 years of services, she has held positions in most of the major program areas within the Department. Some of the programs that she is most proud of include Women's Distance Learning, Workforce Learning Links, and the Business Resource Centers. Mrs. Hammill holds a Bachelor of Arts Degree from Montclair State University and a Master's Degree in Public Administration from Rutgers University. Mrs. Hammill is President of the 2005-2006 National Association of State Workforce Agencies (NASWA) Executive Committee.

Federal Grant Disclosure Statement

The National Association of State Workforce Agencies has not received a federal grant in the past two years.