

SECRETARY OF LABOR
WASHINGTON, D.C. 20210

MAY 17 2005

The Honorable Mike Enzi
Chairman
Committee on Health, Education, Labor and Pensions
United States Senate
Washington, D.C. 20510

Dear Chairman Enzi:

I am writing to express the views of the Department of Labor regarding S. 1021, the "Workforce Investment Act Amendments of 2005," which is scheduled to be marked up by the Senate Committee on Health, Education, Labor and Pensions. The Department of Labor strongly opposes S. 1021 in its current form.

S. 1021 would reauthorize the Workforce Investment Act of 1998 (WIA). WIA was groundbreaking legislation that introduced important improvements in the delivery of employment and training services nationwide through its One-Stop delivery system, currently comprised of over 3,500 centers. However, seven years after WIA was enacted, Federal job training programs remain duplicative and complex, with multiple funding streams and cumbersome administrative requirements at the Federal, state, and local levels. Increased flexibility, improved accountability, a more effective governance structure, and a strengthened One-Stop Career Center system are urgently needed. The President has proposed innovative reforms to address these longstanding problems.

Unfortunately, the Senate bill fails to include the President's essential reforms that address the many shortcomings of today's workforce investment system. Enactment of S. 1021 in its current form would maintain bureaucratic silos that hamper efforts by states and localities to serve workers and employers, and to foster economic development. Further, S. 1021 would weaken – rather than strengthen – performance accountability.

The Administration believes that WIA reauthorization must:

- Merge Funding Streams: The President has proposed integrating the WIA Adult, Dislocated Worker, and Youth programs, and the Wagner-Peyser Employment Service to eliminate overlap and duplication. The Senate bill should combine these four programs to help States tailor services and increase training opportunities.
- Give States Flexibility to Integrate Additional Funding Streams: The President has proposed an innovative “WIA Plus” option that would allow States to integrate their WIA grant with resources from up to five additional programs, which are administered by the Departments of Labor, Education, and Agriculture. The Senate bill should authorize this option, which would increase flexibility and simplify administration.
- Create a Long-Term 100 Percent Placement Goal: The President has challenged States to strive to place 100 percent of all trainees into employment. This long-term goal demonstrates a commitment to ensuring that workers receive effective training and employment services, and the Senate bill should endorse it.
- Authorize Personal Reemployment Accounts (PRAs): The President has proposed Personal Reemployment Accounts of up to \$3,000 to allow certain unemployed workers to purchase the training, child care, transportation or other reemployment services they need to return to work, and allow them to keep unused amounts as a reemployment bonus if they become employed quickly. PRAs embody one of the President’s guiding principles: that wherever possible, resources and decision-making belong directly in the hands of individuals. S. 1021 should authorize these accounts as a service option.

The Administration is also concerned that the current Senate bill does not:

- Increase State Authority to Designate Local Areas: States should have greater authority to designate local workforce investment areas that are aligned with labor market areas. S. 1021 makes only minor changes to current law, and would likely preserve fragmentation and the more than 600 existing workforce investment areas.
- Target Out-of-School Youth: If a State chooses to serve youth through its consolidated grant, it should target out-of-school youth, a population that is most in need of assistance and generally not served by other federal programs. S. 1021 designates only 40 percent of funds for out-of-school youth.

- Authorize Innovation Training Accounts: The bill should authorize Innovation Training Accounts that would allow workers to supplement WIA with funds from other sources, providing workers more flexible employment resources.
- Appropriately Define Administrative Costs: The bill should explicitly and accurately define administrative costs, to eliminate the current undesirable practice of diverting program funds to administrative overhead.
- Provide a Stable Approach to Funding and a Consistent Approach to Certifying One-Stop Career Centers: The bill should provide a method for allowing States to retain a percentage of a One-Stop partner's funds for allocation to local areas to fund the infrastructure of One-Stop Centers. The Senate bill undermines funding stability and undercuts the concept of a One-Stop system by allowing local areas to opt out of any State-level infrastructure funding process. In addition, the Administration believes it is essential to have a One-Stop certification process to promote consistency and quality in the services provided by One-Stop Career Centers in a state.
- Preserve Current Sanction Authority: The Senate bill could only allow for sanctions to be applied if a state or local area performs at less than 80 percent of its adjusted level of performance for all of its core indicators for two consecutive years. This provision would lower the standards of current practice for application of sanctions, weakening accountability for performance.
- Eliminate the ineffective incentive grant program authorized under current law: The Administration supports creation of separate incentive grant programs for WIA Titles I and II to reward states for exemplary performance under these programs. The Secretary of Labor and the Secretary of Education should each have the flexibility to determine the amount of funds that will be used for incentives under each program for each year.

If these reforms are not included in the Committee-reported bill, the Administration will seek amendments to incorporate them when the bill is considered on the Senate floor.

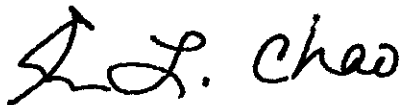
Finally, as a general rule, when a faith-based organization participates in Federal programs, it need not relinquish its right to religious hiring autonomy. Provisions of the current WIA, however, are inconsistent with this longstanding principle. Receipt of Federal funds should not be conditioned on a faith-based organization's giving up a part of its religious identity and mission.

The bill should amend WIA to preserve the right of faith-based organizations to hire according to their beliefs as they provide Federally funded services under this bill. If these protections are not included in the Committee-reported bill, the Administration will pursue such an amendment when the bill is considered on the floor.

The Administration would strongly oppose any WIA legislation that excludes either the critical protections for faith-based organizations or the other reforms called for by the President.

The Office of Management and Budget advises that there is no objection to the submission of this report to the Congress.

Sincerely,

A handwritten signature in black ink that reads "E.L. Chao". The signature is written in a cursive style with a large initial "E" and "L".

Elaine L. Chao