



444 N. Capitol Street NW, Suite 142, Washington, DC 20001
202-434-8020 fax 202-434-8033 www.WorkforceATM.org

**FY 2008 APPROPRIATIONS
SUMMARY OF REQUEST**

**Submitted by
Roosevelt (Ted) Halley
President of NASWA and Executive Director
of the South Carolina Employment Security Commission**

The National Association of State Workforce Agencies recommends the following fiscal year 2008 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

- \$2.9 billion for the state administration of unemployment compensation (This amount represents \$200 million more than requested by the Administration for operations and \$100 million more for updating information technology.)

Workforce Investment Act Programs

- \$1.5 billion for dislocated worker state allocations
- \$891 million for adult employment and training activities
- \$987 million for youth training activities

Employment Services

- \$781 million for employment service state allotments
- \$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

**NATIONAL ASSOCIATION OF STATE WORKFORCE AGENCIES (NASWA)
STATEMENT ON FISCAL YEAR 2008 APPROPRIATIONS**

The National Association of State Workforce Agencies (NASWA) respectfully submits for the record this statement of its request for fiscal year 2008 appropriations. 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.

The success of our nation's publicly funded workforce system in assisting workers and business in response to local, regional, national and global economic events lasting weeks to years is well documented and illustrative of the need for a continued and robust commitment by the federal government to funding our workforce system. Services available through the Workforce Investment Act (WIA), Veterans' Employment and Training Services (VETS), Labor Market Information (LMI), Unemployment Insurance (UI) and Employment Service (ES) programs have served the nations workers and business when they have needed it the most. Whether it was during the mass dislocations of workers following the terrorist attacks of September 11, 2001, the deployment of rapid response and sustained assistance following Hurricane Katrina, assisting returning veterans from the wars in Iraq and Afghanistan, responding to innumerable plant closures around the country or helping businesses compete in the global economy by developing and assisting in the recruitment of skilled workers – the workforce system continues to be vital to the economic well-being of our nation.

Yet despite the continued success of the workforce system in assisting millions of workers, outperforming nearly every performance goal and making significant progress over the past few years to assist more workers and businesses in an environment of increasing global pressure, our workforce system has become a target for cuts in federal funding. The system was cut by 7 percent, or nearly \$200 million overall, in fiscal year 2006. The One-Stop/LMI program, vital to informing decision-makers on how to direct limited workforce system resources by identifying where they are most in demand, was cut by \$15 million in fiscal year 2006, was cut an additional \$18 million in fiscal year 2007 and is currently funded at less than half of its original fiscal year 2001 appropriation. The Administration's fiscal year 2008 Budget proposes additional cuts of more than \$800 million, including a rescission of \$335 million to workforce programs. These proposed cuts will depress the system's performance. NASWA requests Congress restore workforce system program appropriations to fiscal year 2005 levels unless otherwise noted. The following is justification of our request.

Workforce Investment Act (WIA) Programs – NASWA requests the following fiscal year 2008 appropriations 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 \$327, \$179, and \$146 million more, respectively, than the Administration's fiscal year 2008 request. NASWA opposes the proposed \$335 million rescission from WIA programs included in the Administration's fiscal year 2008 Budget.

According to the Employment and Training Administration's (ETA) latest workforce system results for the quarter ending March 31, 2006, workforce system programs are performing at high levels and serving more individuals. Some 82 percent of adults and 87 percent of dislocated workers were still working in the third quarter, or 9 months, after exiting their programs. After receiving WIA services, adults increased their annual earnings by an average of \$4,028. The data for the quarter ending March 31, 2006 show a considerable increase of 42 percent in total participants served by the WIA Adult program – from 440,241 for the 12 months ending December 31, 2005, to 622,886 for the 12 months ending March 31, 2006. Further, the WIA Adult program experienced a 63 percent increase in exiters between the 12 months ending December 31, 2005 and the 12 months ending March 31, 2006.

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 performance target of 68 percent. The cumulative two quarter results of the diploma rate for the younger WIA Youth program reached 56 percentage points, exceeding the 53 percentage point goal.

The Administration's request to rescind \$335 million is a significant concern to NASWA members because of the detrimental impact it would have on service levels. A study of NASWA members found that the \$1.2 billion in funding characterized by the U.S. Department of Labor as "unspent carryover" is in fact either obligated for services, such as training, or set aside by governors to respond to mass-layoffs and other unpredictable economic events. NASWA's study found on average 70 percent of WIA funds are spent in the first year and the remaining 30 percent is either obligated or reserved for contingencies. Further, NASWA's study showed states spent 95 percent of WIA grants in the first two years with the remaining 5 percent spent in the third year as permitted by WIA. This study is backed by the Government Accountability Office (GAO), which in its own study on expenditures said "states are spending their WIA funds much faster than required under the law..." and "analysis of USDOL's expenditure data shows states are spending their WIA funds within the 3-year period."

NASWA agrees with GAO's analysis 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. WIA regulations (section 667.107(a)) 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.

Employment Service (ES) Program – NASWA members are concerned about recent and proposed 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 2008 employment service state allotments for a total of \$781 million.

For the twelve-month period ending March 31, 2006, ES programs served over 13.3 million persons. Results for this period reveal 62 percent of registered job seekers entered employment (earned wages from a new employer in the first or second quarter after registration). The employment retention rate for the ES program, defined as workers retaining employment for two

quarters after entering employment, reached 80 percent with an average earnings increase of \$1,277. The ES program is the backbone of the one-stop system, serving the universal customer, including employers.

Unemployment Insurance (UI) Program – NASWA supports the goal of the Administration to improve the financial integrity of the UI system, but states are finding it increasingly difficult to accomplish. To help achieve this goal, NASWA’s request of \$2.9 billion for state administration of UI in fiscal year 2008 exceeds the Administration’s request by \$200 million for UI operations and \$100 million for computer systems modernization. The \$200 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. The \$100 million would help states modernize their out-of-date information technology.

In addition to this request for adequate UI appropriations, NASWA’s membership approved a resolution in September of 2006 to request Special Reed Act distributions to states of \$800 million per year for federal fiscal years 2008 and 2009. Under NASWA’s request, a state is required to obligate the resources within 5 years of the date of each distribution, after which time any unspent amount shall remain in each state’s individual account for purposes of benefit payments. By releasing the funds as Special Reed Act funding to be used for technology infrastructure needs as well as other operational needs, states will be in a position to target funding to modernize their systems, and thereby maintain an emphasis on high quality services to UI and ES customers, while improving the financial integrity of the system.

The UI program is currently ranked among the highest with improper payments and the accuracy of UI benefit payments is declining. According to U.S. Department of Labor data, overpayment rates reached 10 percent for the first time in 2006, a two percentage point increase since 1995. Congress should consider the need to fund UI administration fully if it aims to improve the efficiency and integrity by reducing overpayments. Congress also should consider passing much of the Administration’s proposed Unemployment Compensation Program Integrity Act expected to be introduced soon.

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. States continue to contribute significant amounts of supplemental funds to make up some of the federal shortfall, exceeding \$150 million in each of the last three years, but this funding is not enough.

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. Since fiscal year 2001, this line-item and the programs it funds have been cut by \$86 million, or more than half of its original appropriation. States are supplementing the

decline in federal revenues by over \$7 million to make up a fraction of the federal cuts, but it is not enough to maintain the high-quality service levels workers and businesses expect.

A successful change to a demand-driven workforce development system depends on having information on high growth industries and the occupations within those industries that will be most in demand. Effective economic development strategies and educational skill and competency development must be based upon sound and realistic labor market information. The economic development and educational investments in human capital are too important to the nation's competitiveness to not have the advantage of high quality, reliable labor market information, analyzed by the experts funded by formula allocations to the states. NASWA supports the continuation of the investments made in tools and resources such as O*NET, the analyst database and projections software that support an integrated national labor market information system to ensure that business receives valuable data, such as wage and compensation information, that is consistent in quality across the nation.

While NASWA supports the Bureau of Labor Statistics budget, we can not support the actions of the Bureau to restructure funding and centralize statistical programs. The Bureau's move to federalize the Current Employment Statistics Program jeopardizes the most important economic indicator available to states. The Bureau's "Washington view" of the importance of state and local labor market information differs dramatically from the state and local workforce and economic development policy makers "on-the-ground" planning and implementing job creation strategies.

Veterans' Employment and Training Service – NASWA supports the Administration's fiscal year 2008 budget request for VETS programs including \$162 million for VETS state administration of the Disabled Veterans Outreach Program (DVOP) and Local Veterans' Employment Representative (LVER) program. Although we support the Administration's budget request for VETS programs, Congress may wish to consider the need for additional appropriations to accommodate the increased demand for workforce services from the large number of recently separated veterans, especially disabled veterans.

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.

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.