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## LEGISLATIVE ISSUE UPDATE

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## **WORKFORCE INVESTMENT ACT (WIA) REAUTHORIZATION**

### **BACKGROUND AND UPDATE**

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The Workforce Investment Act of 1998 (WIA) is a federally funded employment and training program passed into law August 7, 1998. The legislation placed a new emphasis on universal access to services, core, intensive and training services, inter-agency coordination, consumer choice, service provider accountability, and local planning.

The goal of WIA was to improve the quality of the workforce, reduce welfare dependency, and enhance the productivity and competitiveness of the nation's economy by providing a wide variety of career development services for individuals, including services for adults, youth and for individuals employed, underemployed, and unemployed. WIA provides the framework for the publicly-funded workforce development system.

- Title I of the legislation authorizes the Workforce Investment System;
- Title II reauthorizes adult education and family literacy programs;
- Title III amends the Wagner-Peyser and related acts;
- Title IV reauthorizes Rehabilitation Act programs;
- Title V contains general provisions.

The authorization for the Workforce Investment Act (WIA) ended September 30, 2003, and is operating under appropriations extensions.

During the 109th Congress, the House and the Senate each passed legislation to reauthorize WIA, but the two bills varied greatly. A Conference Committee was never established to work out differences. The 110th Congress made very little progress on WIA reauthorization. The House had no movement at all on WIA, however, a draft Senate bill was discussed but never put on Committee calendars.

On May 7, 2009, President Obama announced his intent to review the nation's job training programs and, as part of that effort, announced a new policy using Pell Grants for states and colleges to help the jobless seek education and training without losing their unemployment benefits.

While announcing the new plan at the White House, the President said his idea is to "fundamentally change our approach to unemployment in this country, so that it's no longer just a time to look for a new job, but is also a time to prepare ... for a better job." He indicated he would propose "changing senseless rules that discourage displaced workers from getting the education and training they need to find and fill the jobs of the future. The President said in the weeks to come he would lay out a "fundamental rethinking of our job training, vocational education, and community college programs."

NASWA Deputy Executive Director Bob Simoneau has participated in numerous “listening sessions” hosted by Congress and U.S. Department of Labor and has spoken to numerous states on key provisions needed to be addressed in WIA reauthorization including the following:

- Allow states maximum flexibility;
- Clarify language regarding expenditures versus obligations;
- Maintain the one-stop system;
- Designate the Wagner-Peyser program as the backbone of the workforce system;
- Provide greater flexibility and clarification of issues surrounding the concept of “sequence of services;”
- Address the funding for the infrastructure of the one-stop career system;
- Provide a stronger role for reemployment services;
- Adopt WIA Common Measure proposal presented by NGA and NASWA;
- Allow flexibility to reallocate funds among WIA Adult, Dislocated and Youth; and
- Change the membership requirements to allow board composition to be no more than 20 members.

Assistant Secretary for the Employment and Training Administration (ETA), Jane Oates, in July 2009, testified before the Senate Health, Education, Labor and Pensions Committee, and made the following suggestions regarding reauthorization of WIA.

- It should embody a dual customer approach, which meets the needs of both workers and employers and reach across multiple departments, including the Departments of Education and Health and Human services, to ensure programs work harmoniously and effectively at the local level.
- The "sequence of service" requirement should be eliminated.
- Customers should be able to access any federal education and training program, as well as education and training opportunities provided by community colleges, through the One-Stop system, in a manner that supports the achievement of the individual's educational and career goals.
- Services should be available in person, as well as virtually, and the system should make the best use of technology to reach and serve job seekers and workers.
- The system should be accessible to all individuals with disabilities seeking employment and meet their unique needs.
- Eligibility determination processes for the various programs should be simplified and harmonized to the maximum extent possible to ensure that individuals can readily access the services they need.
- The One-Stop Career Centers should be able to provide each individual a quick and effective assessment of skills and the best plan of services given the customer's interests and skill level.
- Performance measures for accountability should be designed to recognize the value-added of services and avoid creating disincentives to serve participants who have the greatest need for assistance.
- Performance information on training programs should be widely available, so individuals can make informed choices about which programs best meet their needs.
- Reduce the burden of duplicative reporting for local providers to make real progress toward a seamless delivery system at the Federal level.
- The system should embody a dual customer approach, which meets the needs of both workers and employers, in developing thriving communities where all citizens succeed and businesses prosper.

Neither the Senate nor House Majority has introduced a bill on WIA reauthorization. The only legislative action during the first session of the 111<sup>th</sup> Congress (2009) to reauthorize WIA was H.R. 4271 introduced on December 10, 2009, by Representatives Howard P. “Buck” McKeon (R-CA) and Brett Guthrie (R-KY), Minority Members of the House Committee on Education and Labor. The title of H.R. 4271 is “To reform and strengthen the workforce investment system of the Nation to put Americans back to work and make the United States more competitive in the 21<sup>st</sup> Century.” The bill was referred to the House Committee on Education and Labor on December 10, 2009; no action has been taken on the bill since.

Recent discussions with Congressional staff members indicate both the House and Senate are aggressively pursuing legislation to reauthorize the Workforce Investment Act. Congressional staff members are currently drafting legislation, and several sources working on the legislation said they are hoping legislation could be introduced and acted upon within the next few months. Congressional priorities and calendars will determine the timeline.

## EMERGENCY UNEMPLOYMENT COMPENSATION, 2008 (EUC08)

### BACKGROUND AND UPDATE

The EUC08 program originated on June 30, 2008 and is a temporary, 100% federally financed program that provides additional weeks of unemployment benefits at the state level.

The program has been extended five times; the most recent extension was in December 2009 as an amendment to the Department of Defense Appropriations Act. Congress has enacted temporary extension programs during economic downturns eight times in the past 50 years - in 1958, 1961, 1972, 1975, 1982, 1991, 2002 and 2008.

The most recent **expansion** of EUC08 occurred on November 6<sup>th</sup>, 2009, when President Obama signed legislation to create two additional tiers and extend unemployment benefits by up to 14 additional weeks in all states and up to 20 weeks in states with high unemployment rates. (**Chart to right**). In December 2009, Congress extended the current EUC08 program for an additional two months, until February 28<sup>th</sup>.

The December extension of EUC08 also included a two-month extension of the FAC program, which provides a 100 percent federally-funded \$25 supplement to all weekly UC payments, as well as a two-month extension of the provision included in the Recovery Act which provided temporary full federal funding of the State Extended Benefit program.

	EUC Law	
	Available Weeks	Trigger
Tier I	Up to 20 Weeks	Available in All States
Tier II	Up to 14 Weeks	Available in All States
Tier III	Up to 13 Weeks	Available in States with TUR ≥ 6.0% or IUR ≥ 4.0%
Tier IV	Up to 6 Weeks	Available in States with TUR > 8.5% or IUR > 6.0%

The Bureau of Labor Statistics' December report showed 15.3 million workers were unemployed and nearly two out of five, or 6.1 million workers, out of work for more than six months. In addition, some 7.2 million jobs have been lost since the recession began in December 2007 and a record 4.2 million jobs were eliminated in 2009.

The Congressional Budget Office, in a January report, projected that the economic recovery will be slow and protracted and the unemployment rate will not drop below 8 percent until 2012. CBO concluded that increasing aid to the unemployed through 2010 would be one of the best policy options because households receiving unemployment benefits tend to spend the additional benefits quickly, making this option both timely and cost-effective in spurring economic activity and employment.

The EUC08 program will expire on February 28<sup>th</sup> unless Congress takes action to extend the current program. With some UI claimants eligible to receive up to 99 weeks of benefits (see chart below) some lawmakers have questioned whether the program needs to be scaled back in light of its cost. On the other hand, with nearly 12 million workers receiving either state or federal benefits and the ratio of jobs to job seekers at about 1:5, most lawmakers are reluctant to end the program before the end of the year. The House passed a six month extension of EUC08 in their

“Jobs Package,” but the Senate is looking at approaches to extend EUC08 and provide a tax credit to employers to accelerate their pace of hiring.

**Number of Week Available to Unemployment Insurance Claimants**

Includes State and Federal Benefits

<b>FEDERAL/ STATE UI</b>	<b>STATE UI BENEFITS</b>	<b>EUC, TIER I</b>	<b>EUC, TIER II</b>	<b>EUC, TIER III</b>	<b>EUC, TIER IV</b>	<b>EXTENDED BENEFITS, I</b>	<b>EXTENDED BENEFITS, II</b>
<b>WEEKS AVAILABLE</b>	26 Weeks in Most States	20 Weeks	14 Weeks	13 Weeks	6 Weeks	13 Weeks	7 Weeks
<b>CUMULATIVE WEEKS</b>	26 Weeks	46 Weeks	60 Weeks	73 Weeks	79 Weeks	92 Weeks	99 Weeks
<b>CRITERIA</b>	Most States	Available for All States	Available for All States	Only Available for States with an unemployment rate of 6.0 percent or above	Only Available for States with an Unemployment rate of 8.5 percent or higher	See Below	See Below

**Note:** Extended Benefits are available to workers who have exhausted regular unemployment insurance benefits during periods of high unemployment. The basic Extended Benefits program provides up to 13 additional weeks of benefits when a State is experiencing high unemployment. Some States have also enacted a voluntary program to pay up to 7 additional weeks (for a total of 20 weeks) of Extended Benefits during periods of extremely high unemployment. Under the Recovery Act, the Federal government is paying 100 percent of the cost of Extended Benefits.



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## **EXTENDED BENEFITS – WORK SEARCH AND TANGIBLE EVIDENCE REQUIREMENTS**

### **BACKGROUND AND UPDATE**

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Extended Benefits (EB) are available to workers who have exhausted regular (state) unemployment insurance benefits during periods of high unemployment. The regulations governing the implementation of EB, originally crafted in 1980s, requires a rigorous Federal work search that presents data-collection and enforcement issues for many states. EB claimants must actively engage in what is known as a "systematic and sustained effort" to obtain work and provide "tangible evidence" of an active job search.

Before 2009, most states had not administered the EB work search requirement since the early 1990's and, at that time, states generally handled claims by mail or in person and the unemployment insurance system was able to review and store tangible work search documentation. Today's claim-filing environment, largely automated via telephone or the internet, does not lend itself easily to this type of tangible data collection. Reengineering automated systems to accommodate and store tangible work search documentation creates cost and capacity problems for states.

Many states find the requirement for verifiable and complete work search documentation not practical in today's job search climate, where electronic postings do not include the necessary information required to meet the stringent EB work search standards such as "tangible evidence" or the "name of the employer or person contacted."

The NASWA Board of Directors, adopted at its June 2009 meeting, a legislative proposal crafted by New Jersey and Connecticut to keep in place the work search requirement, but the weekly submission of forms would not be mandatory. Instead, it would be replaced with some form of weekly random audit composed of a sample of EB claimants. Efforts to secure this change have stalled, in part because of other issues associated with integrating the Extended Benefits program with the ECU08 program.



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## **UNEMPLOYMENT INSURANCE ADMINISTRATIVE FUNDING**

### **BACKGROUND AND UPDATE**

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With an unprecedented workload on state unemployment insurance (UI) agencies, the chronic underfunding of the UI system has reached a critical level. States do not receive enough administrative funds to upgrade their computer systems and telephone call centers, hire more staff, and maintain their unemployment insurance infrastructure. When adjusted to constant 2000 dollars, base funding for State Unemployment Insurance (UI) Administration is at its lowest levels. Since 2004, states have requested \$16.8 billion for UI Administration and received only \$13.7 billion; resulting in a shortfall of more than \$3 billion over a 6-year period or an average of about \$500 million per year.

State administration of UI is funded by the federal unemployment tax levied on employers at a net rate of 0.8 percent on covered wages up to \$7,000 a year paid to an employee. Allocations to the states for UI administration are based heavily on administrative workloads and distributed using a tool called the resource justification model (RJM). The base allocation assumes weekly claims will average 2.3 million. Workload items are combined with state salary data to yield an initial allocation to the states. Until this year, the salary data have not been inflation-adjusted for more than ten years. The initial estimates are then modified to bring state allocations into balance with an overall target set by staff at the Office of Unemployment Insurance and the Office of Management and Budget (OMB).

Besides a base allocation, the states receive above-base and contingency funding when activity levels exceed the levels assumed in the base allocation. Increases in workload during recessions cause an automatic increase in UI administrative funds to the states.

NASWA, as part of its FY 2010 appropriations submission, requested an additional \$617 million above the Obama Administration's level of \$3.2 billion for state unemployment insurance administration. Some \$517 million is needed to address the underfunding of state UI operations as determined by RJM.

The federal appropriations process has historically authorized less administrative funding than is needed by states to process their UI workloads. In the past, states have used their own funds to supplement federal funds for the administration of their UI programs; however, this will be impossible for most states in coming years as they seek to maintain balanced budgets. NASWA's UI and Administrative and Finance (A&F) Committees have formed a work group to examine approaches to increase the UI administrative funding. The workgroup met in November 2009 and has developed a resolution for review by the Board of Directors.

## UNEMPLOYMENT INSURANCE TRUST FUND SOLVENCY

### **BACKGROUND AND UPDATE**

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As of January 14, 2010, 25 states and the Virgin Islands had borrowed more than \$28 billion from the federal government in order to finance their unemployment benefits. This number is projected to soar over the next few years as the U.S. Department of Labor (USDOL) has projected some 40 states will borrow up to \$90 billion by the end of 2012. As state legislatures convene their 2010 sessions, the issue of how to repay the loans and the impact on employers will be debated in state capitols across the country.

#### **What happens if States do not repay Loans?**

- If states do not repay their loans within two to three years, under the Federal Unemployment Tax Act -- otherwise known as FUTA -- the tax burden will increase on the states' employers -- as the additional revenue will be used to repay the outstanding loans.

#### **What is the FUTA Credit Reduction?**

- The FUTA tax is levied on employers at a rate of 6.2 percent on wages up to \$7,000 a year paid to an employee. However, FUTA provides a credit against the federal tax of 5.4 percent to employers in states with an approved state unemployment insurance (UI) program and no overdue federal UI loans. The current FUTA tax rate of 0.8 percent of federal UI taxable wages has been unchanged since 1983. For example, in states with no overdue loans, employers pay a federal tax rate of 0.8 percent, or a maximum \$56 per covered employee, per year.

#### **How much will the FUTA tax Increase?**

- Each year the loans are overdue, employers can lose at least 0.3 percentage point from the FUTA credit reduction, which increases the net tax rate by 0.3 percentage point in the first year it is overdue (for a tax rate of 1.1 percent), 0.6 percent in the second year it is overdue (for a tax rate of 1.4 percent), and so on until the loan is repaid.

#### **What can be done to limit the FUTA tax from increasing?**

- Measures in permanent law allow a state's employers to avoid the FUTA credit reduction entirely or cap the reduction at a specified level if the state meets criteria meant to improve the long-term solvency of their unemployment insurance trust funds and assist them in the repayment of federal loans. A temporary law enacted in the 1980's authorized special partial caps to the FUTA credit reduction for states that met some of the criteria necessary to receive a full cap on the level of the FUTA tax increase. The chart on the next page shows that 18 states and the District of Columbia were facing FUTA tax increases in the 1980's and benefited from these permanent and temporary measures. States with overdue outstanding loans in the coming years might use these provisions in the future.

#### **How does the level of borrowing in the 1980's compare to today?**

- State UI programs experienced similar outstanding loans in the 1970's and the 1980's. Historical data shows that the current loan burdens faced by insolvent states are not yet as high in relative terms as they were in the 1980s. However, if the outstanding loans triple, as USDOL has projected, the loan balances will exceed the loan burden experienced in the 1980s for the nation and for many states.

18 states and the District of Columbia used the FUTA credit reduction in permanent and temporary law in the 1980s to limit the increase in employer taxes.

**FUTA Credit Reductions by State 1981 - 1987**

STATE	1981	1982	1983	1984	1985	1986	1987
Arkansas			0.6				
Connecticut	0.7	0.7	0.7	0.7	0.7		
Delaware	0.6	0.6	0.6				
District of Columbia	0.6	0.6	1.1	1.1			
Illinois	0.3	0.6	0.7	0.8	0.9	1.2	
Iowa				0.3			
Kentucky			0.3				
Louisiana				0.3	0.6	0.9	
Maine	0.3	0.9	0.9				
Michigan			0.6	0.7			
Minnesota			0.6	1	1.1		
New Jersey	0.3	0.6	0.6	0.6			
Ohio			0.6	0.7	0.8	1.1	
Pennsylvania	0.6	0.6	0.7	0.8	0.9	1.2	1.5
Puerto Rico	0.3	0.6	0.6	0.6	0.6		
Rhode Island	0.6	0.6	0.6				
Texas				0.3			
Vermont	0.6	0.6	0.6	0.6	0.6		
West Virginia			0.6	0.7	0.8	1.1	
# of States Facing Credit Reductions	10	10	16	14	9	5	1

## ATTRIBUTES OF BORROWING STATES

STATE	2010 TAXABLE WAGE BASE	DOES STATES INDEX TAXABLE WAGE BASE	IS STATE BORROWING?
Alabama	\$8,000	--	YES
Alaska	\$32,700	YES	--
Arizona	\$7,000	--	--
Arkansas	\$12,000	--	YES
California	\$7,000	--	YES
Colorado	\$10,000	--	--
Connecticut	\$15,000	--	YES
Delaware	\$10,500	--	--
D.C.	\$9,000	--	--
Florida	\$8,500	--	YES
Georgia	\$8,500	--	YES
Hawaii	\$37,800	YES	--
Idaho	\$33,300	YES	YES
Illinois	\$12,300	--	YES
Indiana	\$9,500	--	YES
Iowa	\$24,000	YES	--
Kansas	\$8,000	--	--
Kentucky	\$8,000	--	YES
Louisiana	\$7,700	--	--
Maine	\$12,000	--	--
Maryland	\$8,500	--	--
Massachusetts	\$14,000	--	--
Michigan	\$9,000	--	YES
Minnesota	\$26,000	YES	YES
Mississippi	\$7,000	--	--
Missouri	\$12,500	--	YES
Montana	\$25,100	YES	--
Nebraska	\$9,000	--	--
Nevada	\$26,600	YES	YES
New Hampshire	\$10,000	YES	--
New Jersey	\$28,900	YES	YES
New Mexico	\$29,900	YES	--
New York	\$8,500	--	YES
North Carolina	\$19,300	YES	YES
North Dakota	\$23,700	YES	--
Ohio	\$9,000	--	YES
Oklahoma	\$14,200	YES	--
Oregon	\$31,300	YES	--
Pennsylvania	\$8,000	--	YES
Puerto Rico	\$7,000	--	--
Rhode Island	\$19,000	--	YES
South Carolina	\$7,000	--	YES
South Dakota*	\$9,500	--	YES
Tennessee*	\$9,000	--	--
Texas	\$9,000	--	YES
Utah	\$27,800	YES	--
Vermont	\$10,000	--	--
Virgin Islands	\$22,100	YES	YES
Virginia*	\$8,000	--	YES
Washington	\$35,700	YES	--
West Virginia	\$12,000	YES	--
Wisconsin	\$12,000	--	YES
Wyoming	\$21,500	YES	--
TOTAL		19	26

TAXABLE WAGE BASE	NUMBER OF BORROWING STATES	NUMBER OF NON-BORROWING STATES
< \$10,000	14 States	9 States
\$10,000 - \$20,000	7 States	8 States
> \$20,000	5 States	10 States



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## **SHORT TIME COMPENSATION (WORK SHARING)**

### **BACKGROUND AND UPDATE**

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The Shared Work program (also known as Short-Time Compensation) serves as vital component of a layoff aversion plan during this tough economic climate. Rather than layoff a percentage of its workforce to reduce costs, the Shared-Work program allows the employer to reduce the hours worked by all or particular segments of its workforce. Employees can receive partial unemployment benefits to compensate for their lost wages and continue to receive their full health insurance, retirement, vacation pay and any other fringe benefits.

A temporary Shared Work program was enacted in 1982 and permanent changes to the 1982 federal law were made in the Unemployment Compensation Amendments of 1992. However, discrepancies between the 1982 and 1992 legislation, together with the restrictive interpretation by the U.S. Department of Labor have left the Shared Work program in limbo, with only 17 states presently implementing Shared Work programs.

The 1982 legislation defined core requirements for a “qualified employer plan” under which there is a reduction in work hours rather than temporary layoffs, including: continuation of health benefits and retirement benefits under defined benefit pension plans (as defined in ERISA); and consent of the collective bargaining representative, in the case of employees with representation. The 1992 legislation, in an effort to provide states with additional flexibility, did not include requirements for a “qualified employer plan,” including the two provisions described above.

Following enactment of the 1992 legislation, the U.S. Department of Labor adopted a restrictive interpretation of the authorizing language. Under this interpretation, it was viewed as impermissible for states to adopt key employee protections included in the temporary 1982 program.



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## **TEMPORARY ASSISTANCE FOR NEEDY FAMILIES (TANF): EMERGENCY CONTINGENCY FUND FOR SUBSIDIZED EMPLOYMENT**

### **BACKGROUND AND UPDATE**

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Section 2101 of the Recovery Act created a new \$5 Billion Emergency Fund to provide states with funding from the U.S. Department of Health and Human Services under the Temporary Assistance for to Needy Families (TANF) Emergency Contingency Fund. States can receive federal Recovery Act funding between now and September 30, 2010, for subsidized employment. The TANF Emergency Fund creates a new opportunity for states to develop or expand Transitional Jobs programs. These programs have long been allowable uses of TANF block grant funds, but the Emergency Fund now allows states to draw additional funds if they increase their TANF-related spending in three categories, one of which is subsidized employment. States that increase TANF-related spending on subsidized employment in Fiscal Years 2009 or 2010 (compared to the equivalent quarter in FY 2007 or 2008) can receive 80 percent of that increase back as additional federal dollars. These programs can serve members of low-income families whether or not they are currently receiving cash assistance under TANF.

Governor Charlie Crist (R-FL) announced in December the Florida Agency for Workforce Innovation, in partnership with the Florida Department of Children and Families, Workforce Florida Inc., and the Regional Workforce Boards, was launching a new program designed to bolster businesses and create jobs for as many as 25,000 Floridians. Florida can potentially receive up to \$200 million - with no matching state funds required - for the Florida Back to Work initiative designed to help pay for jobs for low-income families on a time-limited basis. Under the Florida program, Public and private employers can enter into contracts with local Regional Workforce Boards to cover nearly all of the salary costs for employees. The program will pay up to 95 percent of the salary cost for each employee.

The Department of Health and Human Services and the U.S. Department of Labor recently issued a joint letter to urge workforce and human services agencies to work together to explore all funds available for the creation and expansion of subsidized summer employment programs for low-income youth. The letter, signed by ETA Assistant Secretary Jane Oates and Carmen R. Nazario, Assistant Secretary, Administration for Children and Families, encourages State and local TANF agencies and WIBs to take advantage of the subsidized employment opportunities made available by partnering WIA and TANF resources. Twenty-two States have already had TANF Emergency Contingency Fund applications for adult subsidized employment programs approved. While much of the ETA's summer youth employment funding under the Recovery Act has been expended, significant TANF Emergency Contingency funding remains and TANF agencies can choose to commit some of those funds to subsidized employment programs for low- income youth.

## OBAMA ADMINISTRATION'S FISCAL YEAR 2011 BUDGET

### BACKGROUND AND UPDATE

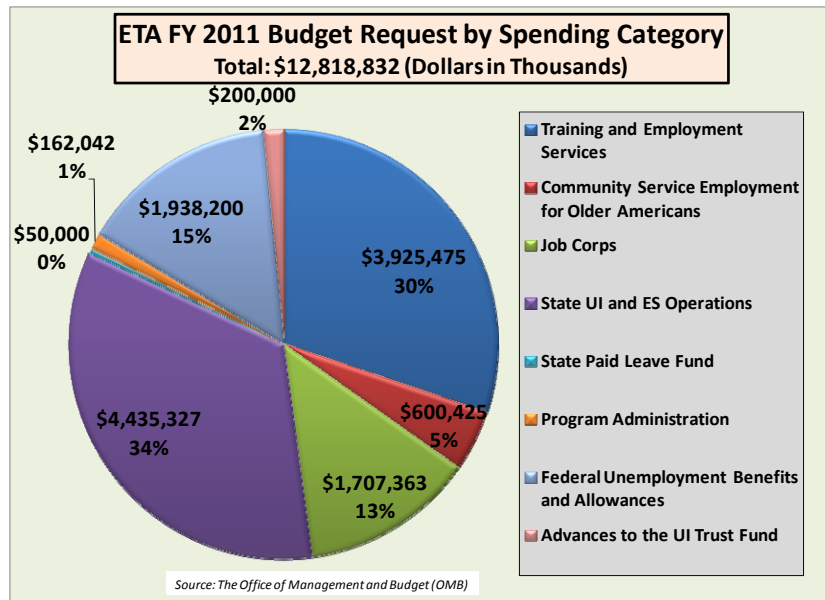
With the workforce system serving close to 34 million customers and high levels of unemployment projected well into 2011, President Obama unveiled his Fiscal Year (FY) 2011 budget for the U.S. Department of Labor (USDOL) on February 1, 2010.

The Administration's budget, if enacted by Congress, would freeze spending for most workforce programs at the FY 2010 level and make it challenging for State Workforce Agencies to continue serving record number of customers, especially as States drawdown Recovery Act funds.

The President's budget also suggests the Administration expects a substantial reduction in unemployment benefits.

Overall, the Administration's budget for USDOL includes \$14 billion in discretionary funding, slightly below the FY 2010 level of \$14.3 billion. This base excludes Recovery Act funds.

The budget calls for \$116.7 billion in mandatory spending, the bulk of which covers the cost of unemployment benefits, which the Administration expects to drop to \$82.4 billion in FY 2011 from \$126.8 billion in FY 2010.



The following key programs are summarized below:

#### WIA Adult Activities

The budget requests \$906,884,000 for the WIA Adult program, the same formula funding as last year. Of this amount, \$861,540,000 would be dedicated to the formula program and \$45,344,000 would be set aside for the Workforce Innovation Fund (WIF), a new Administration initiative described below.

#### WIA Youth Activities

The budget requests \$1,025,000,000 for the WIA Youth program. Although it represents an increase of \$100,931,000 over the FY 2010 appropriation level, fifteen percent of these funds (\$153,750,000) would be reserved for the Youth Innovation Fund, reducing formula funds by approximately \$52,800,000 compared to FY 2010.

### **WIA Dislocated Workers**

The budget requests \$1,475,307,000 for the WIA Dislocated Worker program, of which \$1,183,840,000 would be dedicated to the formula program, \$229,160,000 to the National Reserve, and \$62,307,000 would be added to the Workforce Innovation Fund (WIF).

### **Unemployment Insurance - State Administration**

The budget requests \$3,515,079,000 for UI State Administration, a decrease of \$413,566,000 from the FY 2010 appropriation of \$3,928,645,000.

- The funds are sufficient to process 6,051,000 continued claims per week (referred to as average weekly insured unemployment (AWIU)) which includes processing benefit payments made under the Trade Act of 1974, as amended.
- During the year, states are expected to collect \$52.7 billion in state unemployment taxes and to pay an estimated \$83.1 billion in Federal and State UI benefits to 15.5 million beneficiaries.

### **Extended Unemployment Compensation**

The budget includes \$49 billion to extend federal unemployment benefits. While the administration supports extending UI benefits, the budget detail did not include a specific proposal.

### **Wagner-Peyser Employment Services**

The budget requests \$703,576,000 for Employment Service Grants to States, the same level as last year. However, no funds were provided for Reemployment Service Grants.

### **Reemployment Eligibility Assessments (REA)**

The budget requests \$55,000,000 for the REA initiative, which when combined with the \$10,000,000 included in State Administration would fund 700,000 REAs and save state UI Trust Fund Accounts \$210,000,000. This request level is \$5,000,000 higher than the amount appropriated for FY 2010 and support REA initiatives in approximately 40 states, according to Administration documents.

### **Trade Adjustment Assistance**

The budget requests \$2,369,500,000 which includes funds for training, job search and relocation allowances, administration, Trade Readjustment Allowances, Alternative Trade Adjustment Assistance (ATAA), and Reemployment Trade Adjustment Assistance (RTAA.)

The request is an increase of \$551,100,000 over the FY 2010 level and reflects the mandatory funding necessary to continue serving the projected high levels of TAA participants.

### **Green Jobs Innovation Fund**

ETA is considering a range of approaches for the \$85,000,000 requested for the Green Jobs Innovation Fund that will build on the grant projects funded through FY 2010 appropriations as well as the series of green job training grants funded by the Recovery Act.

### **Workforce Information/Electronic Tools/System Building**

The budget requests \$63,720,000 which includes \$32,000,000 in funding for state core data products and services under the Workforce Information Grants to States. A new crowd-sourcing project called the Tools for America's Job Seekers Challenge began in December 2009 and identified 624 online tools. Some 16,045 users from the workforce development system and the public reviewed the tools and provided 32,847 recommendations, and 1,161 comments. ETA will post the ten most highly recommended tools via the CareerOneStop.org web site to help states

and job seekers find tools targeted to meet their specific needs. In addition, the budget request includes resources to continue the Disability Employment Initiative begun in FY 2010.

**BUREAU OF LABOR STATISTICS: LABOR FORCE STATISTICS**

The budget requests approximately \$285 million for FY 2011, about a \$9 million increase over the FY 2010 level. However, BLS is proposing to assume responsibility for the production of state and metropolitan statistics and remove it from the federal-state cooperative statistics program.

**VETERANS EMPLOYMENT AND TRAINING SERVICE: STATE GRANTS**

The FY 2011 request of \$165,394,000, will support Disabled Veterans’ Outreach Program (DVOP) specialists, Local Veterans’ Employment Representative (LVER) staff, and respond to exigencies. While the request is the same as the comparable amount in FY 2010, the budget proposes to fundamentally change the program’s service delivery model, according to the Administration’s budget. Currently, this model primarily offers low-cost employment services that duplicate WIA’s core services. The goals of the redesigned model are to improve the quality and effectiveness of employment services.

**WORKFORCE INVESTMENT ACT FUNDING PROPOSED FY 2011 vs. FY 2010 ENACTED**

PROGRAM	FY 2011 PROPOSED			TOTAL, FY 2011	FY 2010 ENACTED	DIFFERENCE	RECOVERY ACT
	Formula Grants	Innovation Fund	National Reserve				
WIA ADULT	861,540	45,344		906,884	861,540	-0- Flat Funding	500,000
WIA YOUTH	871,250	153,750		1,025,000	924,069	(-52 Million for States, Formula)	1,200,000
WIA DISLOCATED WORKERS	1,183,840	62,307	229,160	1,475,307	1,413,500	-0- Flat Funding	1,450,000

**STATE UNEMPLOYMENT INSURANCE AND EMPLOYMENT SERVICE OPERATIONS**

PROGRAM	FY 2011 PROPOSED		FY 2010 ENACTED		DIFFERENCE	RECOVERY ACT
	TOTAL	Above Base	TOTAL	Above Base		
STATE UNEMPLOYMENT INSURANCE ADMINISTRATION	3,515,079		3,989,955	\$733,000	-413,566	500,000
EXTENDED UNEMPLOYMENT COMPENSATION		49,000				
WAGNER-PEYSER EMPLOYMENT SERVICE GRANTS		703,576		703,576	-0-	-0-
REEMPLOYMENT SERVICE GRANTS		-0-		-0-	-0-	400,000
REEMPLOYMENT AND ELIGIBILITY ASSESSMENTS		55,000		50,000	+5,000	-0-

## OTHER ETA AND USDOL PROGRAMS

PROGRAM	FY 2011 PROPOSED	FY 2010 ENACTED	DIFFERENCE
TRADE ADJUSTMENT ASSISTANCE	2,369,500	1,818,400	+551,100
WORKFORCE DATA QUALITY INITIATIVE	13,7500	12,500	+1,250
STATE GRANTS, FOREIGN LABOR CERTIFICATION	15,129	15,129	-0
WORK OPPORTUNITY TAX CREDIT	18,520	18,520	-0-
WORKFORCE INFORMATION: ELECTRONIC TOOLS/SYSTEM BUILDING	63,720	63,720	-0
GREEN JOBS INNOVATION FUND	85,000	40,000	+45,000
CAREER PATHWAY INNOVATION FUND	-0-	125,000	Funding Eliminated
STATE PAID LEAVE FUND, Grants	50,000	-0-	+50,000
<b>VETERANS EMPLOYMENT AND TRAINING SERVICE</b>			
STATE GRANTS	165,394	172,394	-3,500
<b>BUREAU OF LABOR STATISTICS</b>			
LABOR FORCE STATISTICS	284,672	276,116	+8,556

### New Initiatives Worker Innovation Fund

- The FY 2011 budget includes the creation of the *Workforce Innovation Fund (WIF)* in the amount \$107,651,000. The fund is comprised of five percent contributions of \$45,344,000 from the WIA Adult program and \$62,307,000 from the WIA Dislocated Worker program.
- This fund is part of the new Partnership for Workforce Innovation, in which the departments of Labor and Education will cooperate with other federal agencies to award grants that encourage states and localities to work across program silos to improve outcomes for participants. Where needed to eliminate statutory barriers, States and localities would also be encouraged to apply for cross-program waivers.
- *WIF* grants will be awarded competitively through Solicitations for Grant Applications (SGAs) to states or localities for the demonstration of new ideas and for the replication of proven practices. This fund, according to the Administration's detailed budget justification, will allow ETA to foster competition among Governors and workforce investment areas in the invention and evaluation of innovative means of providing improved job training and related services to a larger population of workers at low marginal cost.



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## FISCAL YEAR 2010 APPROPRIATIONS, FINAL

### BACKGROUND AND UPDATE

President Obama signed into law on December 16, 2009 the 2010 Fiscal Year Omnibus Appropriations bill, H.R. 3288. The measure includes six separate appropriations bills, including appropriations for the U.S. Department of Labor (USDOL) which received \$16.2 billion. (see chart to right).

Given the severity of the Great Recession and the unprecedented workload on State Workforce Agencies, NASWA, in testimony to the House and Senate Appropriations Committee, requested an increase in the USDOL budget of \$3.4 billion for the workforce system for FY 2010.

However, the Obama Administration and the House and Senate Appropriations Committees, citing the infusion of approximately \$4 billion into the workforce system under the Recovery Act decided to first evaluate the results of the Recovery Act before providing additional appropriations above FY 2009 level.

Program	FY 2009 Enacted	Recovery Act	FY 2010 USDOL Request	Final, Signed By President Obama 12/16/2009
WIA Adult	861,540,000	500,000,000	861,540,000	861,540,000
WIA Dislocated	1,341,891,000	1,450,000,000	1,413,000,000	1,412,800,000
WIA Youth	924,069,000	1,200,000,000	924,069,000	924,069,000
Green Jobs Grants	--0--	500,000,000	50,000,000	40,000,000
Workforce Data Quality Initiative	--0--	--0--	15,000,000	12,500,000
Trade Adjustment Assistance	859,600,000	--0--	1,818,400,000	1,818,400,000
Employment Service Grants	703,576,000	150,000,000	703,576,000	703,576,000
Reemployment Service Grants	--0--	250,000,000	--0--	--0--
Reemployment Eligibility Assessments	40,000,000	-0-	50,000,000	50,000,000
Unemployment Insurance Grants	3,274,637,000	500,000,000	3,256,955,000	3,256,955,000
One-Stop Career Center/LMI	51,720,000	--0--	51,720,000	63,720,000
VETS, State Grants	168,894,000	--0--	172,394,000	172,394,000
BLS, Labor Market Information	78,264,000	--0--	78,264,000	78,264,000
<b>TOTAL</b>	<b>8,304,191,000</b>	<b>4,550,000,000</b>	<b>9,394,918,000</b>	<b>9,394,218,000</b>



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## AMERICAN RECOVERY AND REINVESTMENT ACT (ARRA)

### BACKGROUND AND UPDATE

Signed into law on February 17, 2008, the Recovery Act infused the workforce system with more than \$4 billion in appropriations for Workforce programs and more than \$40 billion for unemployment insurance. The chart below provides additional details:

<b>WORKFORCE PROVISIONS</b>		
<b>Provision</b>	<b>Description</b>	<b>\$</b>
WIA, Adult	Provides employment and training services to adults through the One-Stop system. <b>Note: The funds are available to states for the same period of time as regular PY 2008 WIA Adult formula funds, or until June 30, 2011, and are subject to the 15 percent reserve for state activities.</b>	\$500 million
WIA, Youth	Primarily intended to operate expanded summer youth employment opportunities during the summer of 2009. <b>Note: The funds are available for the same period of time as regular PY 2008 Youth formula funds, or until June 30, 2011.</b>	\$1.200 Billion
WIA, Dislocated Worker	Provides employment and training services to dislocated workers through the One-Stop system. <b>Note: The funds are available for the same period of time as regular PY 2008 Dislocated Worker formula funds, or until June 30, 2011. Also subject to the 25 percent Governor's reserve for statewide rapid response activities and the 15 percent reserve for state-wide activities.</b>	\$1.250 Billion
NEG	Discretionary grants awarded by the Secretary of Labor in response to significant dislocation events.	\$200 million
Wagner-Peyser Act	Provides assistance to persons in One-Stop Career Centers to secure employment and workforce information. <b>Note: The funds are available for obligation through September 30, 2010 and for expenditure through June 30, 2011.</b>	\$150 million
Reemployment Services	Wagner-Peyser formula funds intended to supplement existing reemployment services for UI claimants. <b>Note: The funds are available for obligation through September 30, 2010 and for expenditure through June 30, 2011.</b>	\$250 million
Competitive Training Grants	Competitive grants for worker training and placement in high growth and emerging industry sectors. <b>Note: These funds are available through June 30, 2010.</b>	\$750 million
Total	Appropriated for Workforce Programs, Total	4.3 billion

<b>UNEMPLOYMENT INSURANCE PROVISIONS</b>		
<b>PROVISION</b>	<b>DESCRIPTION</b>	<b>\$</b>
Benefit Increase	\$25 Per Week Supplemental Unemployment Benefit, known as the Federal Additional Compensation (FAC) program.	\$8.7 billion
Extended Benefits (EB)	Provides for 100% federal financing of the EB program to end before January 1, 2010.	\$1.3 billion
EUC08	Extends the Emergency Unemployment Compensation (EUC08) program through December 26, 2009	\$23.7 billion
EB Eligibility	Changes the eligibility requirements for the EB program to expand the number of persons eligible for EB benefits.	No Cost
Suspension of Income Tax	Temporarily suspends federal income tax on the first \$2,400 of unemployment benefits per recipient.	\$4.74 billion
Interest Free Loans	Temporarily waives interest payments and the accrual of interest on federal loans to states until December 31, 2010.	\$1 billion
UI Modernization	Provides up to \$7 billion as "incentive payments" for changing certain state UC laws.	\$2.975 billion
Administrative Funding	Transfers \$500 million to the states for administration of their unemployment programs.	\$500 million
Total	Unemployment Insurance Provisions, Total	\$42.9 billion

## OUTLAYS AND OBLIGATIONS

### **BACKGROUND AND UPDATE**

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Financial reporting from USDOL's Employment and Training Administration is problematic for State Workforce Agencies because of a six-month time lag, leaving the impression that states are not obligating and spending their Recovery Act and Formula funds for Workforce Investment Act programs. In addition, there is disagreement over the economic meaning of an "obligation." Substantial time might elapse between the obligation of funds for a given project, the actual provision of services resulting, the disbursement of cash (either from the federal government to a grantee or from a grantee to a subgrantee -- the point at which it becomes an 'outlay') to pay for the services provided, and the subsequent submission of the financial report to ETA.

Confusion over outlays and obligations led to Congressional action under Public Law 110-161 when Congress approved a \$250 million rescission for Workforce Investment Act Programs. While the rescission was intended to apply to "unspent balances" from Program Year 2006 and Program Year 2007, a NASWA survey showed that most states did not have "unspent funds" funds from those years and the funds were taken from the current Program Year, just as the economy was entering the Great Recession in December 2007.

As part of the Intergovernmental Organization Collaborative, a work group was established under the direction of Grace Kilbane, Administrator, ETA's Office of Workforce Investment on Outlays and Obligations. It will examine the long-standing issues raised around grantee funds management regarding expenditures and obligations and federal reporting in order to identify options and potential solutions. This review will encompass the reporting and analysis of obligations, expenditures, encumbrances and disbursements (among other) information by states and local areas. This work will particularly focus on ARRA funds.

The group's efforts will provide input to ETA regarding technical assistance needs regarding identifying best practices, facilitating the move toward uniform reporting practices (accrual-based), exploring whether an option for more timely mechanisms for voluntary monthly reporting of the obligation, expenditure, and disbursement of funds by state and local workforce development organizations is feasible and, where applicable, the projection of funding needed to sustain obligations particularly for long-term training and how these commitments should be managed. The likely solution appears to involve a move toward standardizing accounting systems (definitions and business practices) and adopting an approach that would collect information beyond what is reported in the 9130. One possibility is to describe encumbrances, such as tuition, on a monthly basis. The information in such form would be useful both to states and localities and to ETA.



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## **REEMPLOYMENT SERVICE GRANTS**

### **BACKGROUND AND UPDATE**

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Reemployment service grants provide job search tools, early intervention services, career guidance, job referrals, and training for UI claimants. Numerous studies suggest these services are an effective strategy to enhance the rapid reemployment of unemployed workers, reduce overpayment and realize cost savings for the UI trust fund. An investment of \$500 million for reemployment service grants would assist 1.4 million unemployment insurance claimants get back to work.

The Recovery Act provided new funds for reemployment services (RES) in the amount of \$400 million. These funds were distributed to states using the Wagner-Peyser formula to supplement existing RES for UI claimants, and to support integrating Employment Service and UI information technology to identify and serve the needs of such claimants. Per the Recovery Act, the funds are available for obligation through September 30, 2010 and for expenditure through June 30, 2011.

As was the case with prior RES grants in PY 2001 through PY 2005, these funds can be used to provide RES to UI claimants through the One-Stop Career Centers, in addition to the regular Wagner-Peyser Act funded employment services, in order to accelerate their return to work.