

FY 2018

CONGRESSIONAL BUDGET JUSTIFICATION

EMPLOYMENT AND TRAINING ADMINISTRATION

**State Unemployment Insurance and
Employment Service Operations**

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STATE UNEMPLOYMENT INSURANCE AND EMPLOYMENT SERVICE OPERATIONS

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STATE UNEMPLOYMENT INSURANCE AND EMPLOYMENT SERVICE OPERATIONS

APPROPRIATION LANGUAGE

For authorized administrative expenses, \$88,896,000, together with not to exceed \$3,124,263,000 which may be expended from the Employment Security Administration Account in the Unemployment Trust Fund ("the Trust Fund"), of which:

(1) \$2,635,775,000 from the Trust Fund is for grants to States for the administration of State unemployment insurance laws as authorized under title III of the Social Security Act (including not less than \$130,000,000 to conduct in-person reemployment and eligibility assessments and unemployment insurance improper payment reviews, and to provide reemployment services and referrals to training as appropriate, for claimants of unemployment insurance for ex-service members under 5 U.S.C. 8521 et. seq. and for the claimants of regular unemployment compensation who are profiled as most likely to exhaust their benefits in each State, and \$6,000,000 for continued support of the Unemployment Insurance Integrity Center of Excellence), the administration of unemployment insurance for Federal employees and for ex-service members as authorized under 5 U.S.C. 8501–8523, and the administration of trade readjustment allowances, reemployment trade adjustment assistance, and alternative trade adjustment assistance under the Trade Act of 1974 and under section 231(a) of the Trade Adjustment Assistance Extension Act of 2011 and section 405(a) of the Trade Preferences Extension Act of 2015, and shall be available for obligation by the States through December 31, 2018, except that funds used for automation shall be available for Federal obligation through December 31, 2018, and for State obligation through September 30, 2020, or, if the automation is being carried out through consortia of States, for State obligation through September 30, 2023, and for expenditure through September 30, 2024, and funds for competitive grants awarded to States for improved operations and to conduct in-person reemployment and eligibility assessments and unemployment insurance improper payment reviews and provide reemployment services and referrals to training as appropriate shall be available for Federal obligation through December 31, 2018, and for obligation by the States through September 30, 2020, and funds for the Unemployment Insurance Integrity Center of Excellence shall be available for obligation by the State through September 30, 2021, and funds used for unemployment insurance workloads experienced by the States through September 30, 2018 shall be available for Federal obligation through December 31, 2018;

(2) \$12,000,000 from the Trust Fund is for national activities necessary to support the administration of the Federal-State unemployment insurance system;

(3) \$394,516,000 from the Trust Fund, together with \$21,372,000 from the General Fund of the Treasury, is for grants to States in accordance with section 6 of the Wagner-Peyser Act, and shall be available for Federal obligation for the period July 1, 2018 through June 30, 2019; Provided, That notwithstanding the funding allocation in section 7 of the Wagner-Peyser Act, States may use up to 100 percent of the funds allotted to the State under section 6 of such Act to carry out the activities described in section 7(a) of such Act;

(4) \$19,780,000 from the Trust Fund is for national activities of the Employment Service, including administration of the work opportunity tax credit under section 51 of the Internal

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Revenue Code of 1986, and the provision of technical assistance and staff training under the Wagner-Peyser Act;

(5) \$62,192,000 from the Trust Fund is for the administration of foreign labor certifications and related activities under the Immigration and Nationality Act and related laws, of which \$47,937,000 shall be available for the Federal administration of such activities, and \$14,255,000 shall be available for grants to States for the administration of such activities; and

(6) \$67,524,000 from the General Fund is to provide workforce information, national electronic tools, and one-stop system building under the Wagner-Peyser Act, and shall be available for Federal obligation for the period July 1, 2018 through June 30, 2019, of which up to \$9,800,000, to remain available until September 30, 2020, shall be used to carry out research and demonstration projects related to testing effective ways to promote greater labor force participation of people with disabilities: Provided, That the Secretary may transfer amounts made available for research and demonstration projects under this paragraph to the "Office of Disability Employment Policy" account for such purposes:

Provided further, That to the extent that the Average Weekly Insured Unemployment ("AWIU") for fiscal year 2018 is projected by the Department of Labor to exceed 2,154,000, an additional \$28,600,000 from the Trust Fund shall be available for obligation for every 100,000 increase in the AWIU level (including a pro rata amount for any increment less than 100,000) to carry out title III of the Social Security Act: Provided further, That funds appropriated in this Act that are allotted to a State to carry out activities under title III of the Social Security Act may be used by such State to assist other States in carrying out activities under such title III if the other States include areas that have suffered a major disaster declared by the President under the Robert T. Stafford Disaster Relief and Emergency Assistance Act: Provided further, That the Secretary may use funds appropriated for grants to States under title III of the Social Security Act to make payments on behalf of States for the use of the National Directory of New Hires under section 453(j)(8) of such Act: Provided further, That the Secretary may use funds appropriated for grants to States under title III of the Social Security Act to make payments on behalf of States to the entity operating the State Information Data Exchange System: Provided further, That funds appropriated in this Act which are used to establish a national one-stop career center system, or which are used to support the national activities of the Federal-State unemployment insurance, employment service, or immigration programs, may be obligated in contracts, grants, or agreements with States and non-State entities: Provided further, That States awarded competitive grants for improved operations under title III of the Social Security Act, or awarded grants to support the national activities of the Federal-State unemployment insurance system, may award subgrants to other States under such grants, subject to the conditions applicable to the grants: Provided further, That funds appropriated under this Act for activities authorized under title III of the Social Security Act and the Wagner-Peyser Act may be used by States to fund integrated Unemployment Insurance and Employment Service automation efforts, notwithstanding cost allocation principles prescribed under the Office of Management and Budget publication entitled Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards: Provided further, That the Secretary, at the request of a State participating in a consortium with other States, may reallocate funds allotted to such State under

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title III of the Social Security Act to other States participating in the consortium in order to carry out activities that benefit the administration of the unemployment compensation law of the State making the request: Provided further, That the Secretary may collect fees for the costs associated with additional data collection, analyses, and reporting services relating to the National Agricultural Workers Survey requested by State and local governments, public and private institutions of higher education, and nonprofit organizations and may utilize such sums, in accordance with the provisions of 29 U.S.C. 9a, for the National Agricultural Workers Survey infrastructure, methodology, and data to meet the information collection and reporting needs of such entities, which shall be credited to this appropriation and shall remain available until September 30, 2019, for such purposes.

Note.-A full-year 2017 appropriation for this account was not enacted at the time the budget was prepared; therefore, the budget assumes this account is operating under the Further Continuing Appropriations Act, 2017 (P.L. 114-254). The amounts included for 2017 reflect the annualized level provided by the continuing resolution.

STATE UNEMPLOYMENT INSURANCE AND EMPLOYMENT SERVICE OPERATIONS

ANALYSIS OF APPROPRIATION LANGUAGE

| Language Provision | Explanation |
|---|--|
| <i>Provided, That notwithstanding the funding allocation in section 7 of the Wagner-Peyser Act, States may use up to 100 percent of the funds allotted to the State under section 6 of such Act to carry out the activities described in section 7(a) of such Act;</i> | The proviso would provide flexibility to States to use all the funds allocated to the State under the Wagner-Peyser Act for the traditional labor exchange and related services, which are available to all job seekers. Under current law, 90 percent of the allotment is to be used for such activities but 10 percent must be used for activities consisting of: performance incentive payments; joint programs with WIOA or other public agencies or nonprofit organizations for populations with special needs (it may be noted that services are provided to special populations under the Wagner-Peyser Act and WIOA); the extra costs of implementing exemplary models for delivering services, including models for enhancing professional development and career advancement opportunities of State agency staff. The proviso would allow States to prioritize the provision of the core labor exchange and related services to job seekers. |
| <i>6) \$67,524,000 from the General Fund is to provide workforce information, national electronic tools, and one-stop system building under the Wagner-Peyser Act, and shall be available for Federal obligation for the period July 1, 2018 through June 30, 2019, of which up to \$9,800,000, to remain available until September 30, 2020, shall be used to carry out research and demonstration projects related to testing effective ways to promote greater labor force participation of people with disabilities: Provided, That the Secretary may transfer amounts made available for research and demonstration projects under this paragraph to the "Office of Disability Employment Policy" account for such purposes:</i> | The language provides that up to \$9.8 million is to be used for research and demonstration projects that test effective ways to increase the labor force participation of people with disabilities. The language also authorizes the Secretary of Labor to transfer the amounts available for these projects to the Office of Disability Employment Policy (ODEP) in DOL. Parallel funding and bill language for these projects are also included under the "Office of Disability Employment" heading. The projects would be coordinated between the Employment and Training Administration and ODEP. The funding for these projects would be in lieu of the funding for the Disability Employment Initiative that has been carried out by ETA and ODEP for the last several years. These projects would facilitate targeted approaches to overcoming barriers and increasing employment for people with disabilities. |

**STATE UNEMPLOYMENT INSURANCE AND EMPLOYMENT
SERVICE OPERATIONS**

| AMOUNTS AVAILABLE FOR OBLIGATION | | | | | | |
|---|----------------------------|--------------------|-----------------------------------|--------------------|----------------------------|--------------------|
| (Dollars in Thousands) | | | | | | |
| | FY 2016 Enacted | | FY 2017 Full Year C.R. | | FY 2018 Request | |
| | FTE | Amount | FTE | Amount | FTE | Amount |
| A. Appropriation | 0 | \$89,066 | 0 | \$88,896 | 0 | \$88,896 |
| <i>Subtotal Appropriation</i> | <i>0</i> | <i>\$89,066</i> | <i>0</i> | <i>\$88,896</i> | <i>0</i> | <i>\$88,896</i> |
| Offsetting Collections From: | | | | | | |
| Reimbursements | 0 | \$50,000 | 0 | \$50,000 | 0 | \$50,000 |
| Trust Funds | 182 | \$3,500,812 | 159 | \$3,494,157 | 156 | \$3,124,263 |
| Transfer to Chief Evaluation Office (Pursuant to P.L. 114-113) | 0 | -\$8,975 | 0 | \$0 | 0 | \$0 |
| Transfer from H-1B High Growth Training (Pursuant to P.L. 114-113) | 7 | \$13,000 | 0 | \$0 | 0 | \$0 |
| Fees | 33 | \$17,454 | 41 | \$18,500 | 41 | \$18,500 |
| <i>Subtotal Offsetting Collections</i> | <i>222</i> | <i>\$3,572,291</i> | <i>200</i> | <i>\$3,562,657</i> | <i>197</i> | <i>\$3,192,763</i> |
| B. Gross Budget Authority | 222 | \$3,661,357 | 200 | \$3,651,553 | 197 | \$3,281,659 |
| Offsetting Collections From: | | | | | | |
| Reimbursements | 0 | -\$50,000 | 0 | -\$50,000 | 0 | -\$50,000 |
| Transfer to Chief Evaluation Office (Pursuant to P.L. 114-113) | 0 | \$8,975 | 0 | \$0 | 0 | \$0 |
| Transfer from H-1B High Growth Training (Pursuant to P.L. 114-113) | -7 | -\$13,000 | 0 | \$0 | 0 | \$0 |
| Fees | -33 | -\$17,454 | -41 | -\$18,500 | -41 | -\$18,500 |
| <i>Subtotal Offsetting Collections</i> | <i>-40</i> | <i>-\$71,479</i> | <i>-41</i> | <i>-\$68,500</i> | <i>-41</i> | <i>-\$68,500</i> |
| C. Budget Authority Before Committee | 182 | \$3,589,878 | 159 | \$3,583,053 | 156 | \$3,213,159 |
| Offsetting Collections From: | | | | | | |
| Reimbursements | 0 | \$50,000 | 0 | \$50,000 | 0 | \$50,000 |
| Transfer to Chief Evaluation Office (Pursuant to P.L. 114-113) | 0 | -\$8,975 | 0 | \$0 | 0 | \$0 |
| Transfer from H-1B High Growth Training (Pursuant to P.L. 114-113) | 7 | \$13,000 | 0 | \$0 | 0 | \$0 |
| Fees | 33 | \$17,454 | 41 | \$18,500 | 41 | \$18,500 |
| <i>Subtotal Offsetting Collections</i> | <i>40</i> | <i>\$71,479</i> | <i>41</i> | <i>\$68,500</i> | <i>41</i> | <i>\$68,500</i> |
| D. Total Budgetary Resources | 222 | \$3,661,357 | 200 | \$3,651,553 | 197 | \$3,281,659 |
| Unobligated Balance Expiring | -20 | -\$123 | 0 | \$0 | 0 | \$0 |
| E. Total, Estimated Obligations | 202 | \$3,661,234 | 200 | \$3,651,553 | 197 | \$3,281,659 |

STATE UNEMPLOYMENT INSURANCE AND EMPLOYMENT SERVICE OPERATIONS

SUMMARY OF CHANGES

(Dollars in Thousands)

| | FY 2017 Full Year C.R. | FY 2018 Request | Net Change |
|----------------------------------|---------------------------|--------------------|-------------------|
| Budget Authority | | | |
| General Funds | \$88,896 | \$88,896 | \$0 |
| Trust Funds | \$3,494,157 | \$3,124,263 | -\$369,894 |
| Total | \$3,583,053 | \$3,213,159 | -\$369,894 |
| Full Time Equivalents | | | |
| General Funds | 0 | 0 | 0 |
| Trust Funds | 159 | 156 | -3 |
| Total | 159 | 156 | -3 |

FY 2018 Change

| Explanation of Change | FY 2017 Base | | Trust Funds | | General Funds | | Total | |
|--|--------------|----------|-------------|--------|---------------|--------|-------|--------|
| | FTE | Amount | FTE | Amount | FTE | Amount | FTE | Amount |
| Increases: | | | | | | | | |
| A. Built-Ins: | | | | | | | | |
| To Provide For: | | | | | | | | |
| Costs of pay adjustments | 159 | \$17,223 | 0 | \$297 | 0 | \$0 | 0 | \$297 |
| Personnel benefits | 0 | \$5,306 | 0 | \$114 | 0 | \$0 | 0 | \$114 |
| Two days less of Pay | 0 | \$0 | 0 | \$0 | 0 | \$0 | 0 | \$0 |
| Benefits for former personnel | 0 | \$2 | 0 | \$0 | 0 | \$0 | 0 | \$0 |
| Travel and transportation of persons | 0 | \$80 | 0 | \$0 | 0 | \$0 | 0 | \$0 |
| Transportation of things | 0 | \$0 | 0 | \$0 | 0 | \$0 | 0 | \$0 |
| Rental payments to GSA | 0 | \$2,110 | 0 | \$0 | 0 | \$0 | 0 | \$0 |
| Rental payments to others | 0 | \$0 | 0 | \$0 | 0 | \$0 | 0 | \$0 |
| Communications, utilities, and miscellaneous charges | 0 | \$335 | 0 | \$0 | 0 | \$0 | 0 | \$0 |
| Printing and reproduction | 0 | \$5 | 0 | \$0 | 0 | \$0 | 0 | \$0 |
| Advisory and assistance services | 0 | \$12,852 | 0 | \$0 | 0 | \$0 | 0 | \$0 |
| Other services from non-Federal sources | 0 | \$370 | 0 | \$0 | 0 | \$0 | 0 | \$0 |
| Working Capital Fund | 0 | \$5,330 | 0 | \$0 | 0 | \$0 | 0 | \$0 |
| Other Federal sources (Census Bureau) | 0 | \$320 | 0 | \$0 | 0 | \$0 | 0 | \$0 |
| Other Federal sources (DHS Charges) | 0 | \$122 | 0 | \$0 | 0 | \$0 | 0 | \$0 |
| Other goods and services from Federal sources | 0 | \$0 | 0 | \$0 | 0 | \$0 | 0 | \$0 |
| Research & Development Contracts | 0 | \$0 | 0 | \$0 | 0 | \$0 | 0 | \$0 |
| Operation and maintenance of facilities | 0 | \$0 | 0 | \$0 | 0 | \$0 | 0 | \$0 |

STATE UNEMPLOYMENT INSURANCE AND EMPLOYMENT SERVICE OPERATIONS

FY 2018 Change

| Explanation of Change | FY 2017 Base | | Trust Funds | | General Funds | | Total | |
|---|--------------|---------------------|-------------|-------------------|---------------|------------|-----------|-------------------|
| | FTE | Amount | FTE | Amount | FTE | Amount | FTE | Amount |
| Operation and maintenance of equipment | 0 | \$3,472 | 0 | \$0 | 0 | \$0 | 0 | \$0 |
| Supplies and materials | 0 | \$150 | 0 | \$0 | 0 | \$0 | 0 | \$0 |
| Equipment | 0 | \$25 | 0 | \$0 | 0 | \$0 | 0 | \$0 |
| Grants, subsidies, and contributions | 0 | \$0 | 0 | \$0 | 0 | \$0 | 0 | \$0 |
| Insurance claims and indemnities | 0 | \$235 | 0 | \$0 | 0 | \$0 | 0 | \$0 |
| Investment and Loans | 0 | \$0 | 0 | \$0 | 0 | \$0 | 0 | \$0 |
| Built-Ins Subtotal | 159 | +\$47,937 | 0 | +\$411 | 0 | \$0 | 0 | +\$411 |
| B. Programs: | | | | | | | | |
| State Administration Increase | 0 | \$0 | 0 | \$16,000 | 0 | \$0 | 0 | \$16,000 |
| RESEA Increase | 0 | \$0 | 0 | \$15,218 | 0 | \$0 | 0 | \$15,218 |
| Programs Subtotal | | | 0 | +\$31,218 | 0 | \$0 | 0 | +\$31,218 |
| Total Increase | 159 | +\$47,937 | 0 | +\$31,629 | 0 | \$0 | 0 | +\$31,629 |
| Decreases: | | | | | | | | |
| A. Built-Ins: | | | | | | | | |
| To Provide For: | | | | | | | | |
| State Administration Workload Decrease | 0 | \$3,535,116 | 0 | -\$135,774 | 0 | \$0 | 0 | -\$135,774 |
| Built-Ins Subtotal | 0 | +\$3,535,116 | 0 | -\$135,774 | 0 | \$0 | 0 | -\$135,774 |
| B. Programs: | | | | | | | | |
| To provide for a reduction to Employment Service Grants to States | 0 | \$0 | 0 | -\$262,819 | 0 | \$0 | 0 | -\$262,819 |
| National Activities Decrease | 0 | \$0 | 0 | -\$2,519 | 0 | \$0 | 0 | -\$2,519 |
| FTE Reduction to Absorb Inflationary Costs | 0 | \$0 | -3 | -\$411 | 0 | \$0 | -3 | -\$411 |
| Programs Subtotal | | | -3 | -\$265,749 | 0 | \$0 | -3 | -\$265,749 |
| Total Decrease | 0 | +\$3,535,116 | -3 | -\$401,523 | 0 | \$0 | -3 | -\$401,523 |
| Total Change | 159 | +\$3,583,053 | -3 | -\$369,894 | 0 | \$0 | -3 | -\$369,894 |

**STATE UNEMPLOYMENT INSURANCE AND EMPLOYMENT
SERVICE OPERATIONS**

| SUMMARY BUDGET AUTHORITY AND FTE BY ACTIVITY | | | | | | | | |
|---|--------------------|------------------|---------------------------|------------------|--------------------|------------------|--|-----------------|
| (Dollars in Thousands) | | | | | | | | |
| | FY 2016 Enacted | | FY 2017 Full Year C.R. | | FY 2018 Request | | Diff. FY18 Request / FY17 Full Year C.R. | |
| | FTE | Amount | FTE | Amount | FTE | Amount | FTE | Amount |
| Unemployment Insurance | 0 | 2,760,097 | 0 | 2,754,850 | 0 | 2,647,775 | 0 | -107,075 |
| Unemployment Trust Funds | 0 | 2,760,097 | 0 | 2,754,850 | 0 | 2,647,775 | 0 | -107,075 |
| | | | | | | | | |
| State Administration | 0 | 2,630,550 | 0 | 2,625,549 | 0 | 2,505,775 | 0 | -119,774 |
| Unemployment Trust Funds | 0 | 2,630,550 | 0 | 2,625,549 | 0 | 2,505,775 | 0 | -119,774 |
| | | | | | | | | |
| Reemployment Services and Eligibility Assessments-UI Integrity | 0 | 115,000 | 0 | 114,782 | 0 | 130,000 | 0 | 15,218 |
| Unemployment Trust Funds | 0 | 115,000 | 0 | 114,782 | 0 | 130,000 | 0 | 15,218 |
| | | | | | | | | |
| National Activities | 0 | 14,547 | 0 | 14,519 | 0 | 12,000 | 0 | -2,519 |
| Unemployment Trust Funds | 0 | 14,547 | 0 | 14,519 | 0 | 12,000 | 0 | -2,519 |
| | | | | | | | | |
| Employment Service | 0 | 699,818 | 0 | 698,487 | 0 | 435,668 | 0 | -262,819 |
| General Funds | 0 | 21,413 | 0 | 21,372 | 0 | 21,372 | 0 | 0 |
| Unemployment Trust Funds | 0 | 678,405 | 0 | 677,115 | 0 | 414,296 | 0 | -262,819 |
| | | | | | | | | |
| Grants to States | 0 | 680,000 | 0 | 678,707 | 0 | 415,888 | 0 | -262,819 |
| General Funds | 0 | 21,413 | 0 | 21,372 | 0 | 21,372 | 0 | 0 |
| Unemployment Trust Funds | 0 | 658,587 | 0 | 657,335 | 0 | 394,516 | 0 | -262,819 |
| | | | | | | | | |
| Employment Service National Activities | 0 | 19,818 | 0 | 19,780 | 0 | 19,780 | 0 | 0 |
| Unemployment Trust Funds | 0 | 19,818 | 0 | 19,780 | 0 | 19,780 | 0 | 0 |
| | | | | | | | | |

**STATE UNEMPLOYMENT INSURANCE AND EMPLOYMENT
SERVICE OPERATIONS**

| SUMMARY BUDGET AUTHORITY AND FTE BY ACTIVITY | | | | | | | | |
|--|--------------------|------------------|---------------------------|------------------|--------------------|------------------|--|-----------------|
| (Dollars in Thousands) | | | | | | | | |
| | FY 2016 Enacted | | FY 2017 Full Year C.R. | | FY 2018 Request | | Diff. FY18 Request / FY17 Full Year C.R. | |
| | FTE | Amount | FTE | Amount | FTE | Amount | FTE | Amount |
| Foreign Labor Certification | 162 | 62,310 | 159 | 62,192 | 156 | 62,192 | -3 | 0 |
| Unemployment Trust Funds | 162 | 62,310 | 159 | 62,192 | 156 | 62,192 | -3 | 0 |
| Federal Administration | 162 | 48,028 | 159 | 47,937 | 156 | 47,937 | -3 | 0 |
| Unemployment Trust Funds | 162 | 48,028 | 159 | 47,937 | 156 | 47,937 | -3 | 0 |
| FLC State Grants | 0 | 14,282 | 0 | 14,255 | 0 | 14,255 | 0 | 0 |
| Unemployment Trust Funds | 0 | 14,282 | 0 | 14,255 | 0 | 14,255 | 0 | 0 |
| Workforce Information-Electronic Tools- System Building | 0 | 67,653 | 0 | 67,524 | 0 | 67,524 | 0 | 0 |
| General Funds | 0 | 67,653 | 0 | 67,524 | 0 | 67,524 | 0 | 0 |
| Total | 162 | 3,589,878 | 159 | 3,583,053 | 156 | 3,213,159 | -3 | -369,894 |
| General Funds | 0 | 89,066 | 0 | 88,896 | 0 | 88,896 | 0 | 0 |
| Unemployment Trust Funds | 162 | 3,500,812 | 159 | 3,494,157 | 156 | 3,124,263 | -3 | -369,894 |

NOTE: 2016 reflects actual FTE.

**STATE UNEMPLOYMENT INSURANCE AND EMPLOYMENT
SERVICE OPERATIONS**

| BUDGET AUTHORITY BY OBJECT CLASS | | | | | |
|---|--|----------------------------|---------------------------------------|----------------------------|---|
| (Dollars in Thousands) | | | | | |
| | | FY 2016 Enacted | FY 2017 Full Year C.R. | FY 2018 Request | Diff. FY18 Request / FY17 Full Year C.R. |
| | Full-Time Equivalent | | | | |
| | Full-time Permanent | 182 | 159 | 156 | -3 |
| | Other | 40 | 41 | 41 | 0 |
| | Total | 222 | 200 | 197 | -3 |
| | Average ES Salary | \$159,873 | \$159,873 | \$162,910 | \$3,037 |
| | Average GM/GS Grade | 12 | 12 | 12 | 0 |
| | Average GM/GS Salary | \$95,512 | \$95,512 | \$97,326 | \$1,814 |
| | | | | | |
| 11.1 | Full-time permanent | 17,095 | 17,043 | 17,029 | -14 |
| 11.3 | Other than full-time permanent | 0 | 0 | 0 | 0 |
| 11.5 | Other personnel compensation | 180 | 180 | 180 | 0 |
| 11.9 | Total personnel compensation | 17,275 | 17,223 | 17,209 | -14 |
| 12.1 | Civilian personnel benefits | 5,336 | 5,306 | 5,320 | 14 |
| 13.0 | Benefits for former personnel | 2 | 2 | 2 | 0 |
| 21.0 | Travel and transportation of persons | 85 | 80 | 80 | 0 |
| 22.0 | Transportation of things | 0 | 0 | 0 | 0 |
| 23.0 | Rent, Communications, and Utilities | 0 | 0 | 0 | 0 |
| 23.1 | Rental payments to GSA | 2,110 | 2,110 | 2,110 | 0 |
| 23.2 | Rental payments to others | 0 | 0 | 0 | 0 |
| 23.3 | Communications, utilities, and miscellaneous charges | 335 | 335 | 335 | 0 |
| 24.0 | Printing and reproduction | 5 | 5 | 5 | 0 |
| 25.1 | Advisory and assistance services | 12,852 | 12,852 | 12,852 | 0 |
| 25.2 | Other services from non-Federal sources | 373 | 370 | 370 | 0 |
| 25.3 | Other goods and services from Federal sources 1/ | 5,772 | 5,772 | 5,772 | 0 |
| 25.4 | Operation and maintenance of facilities | 0 | 0 | 0 | 0 |
| 25.5 | Research and development contracts | 0 | 0 | 0 | 0 |
| 25.7 | Operation and maintenance of equipment | 3,473 | 3,472 | 3,472 | 0 |
| 26.0 | Supplies and materials | 150 | 150 | 150 | 0 |
| 31.0 | Equipment | 25 | 25 | 25 | 0 |
| 33.0 | Investments and Loans | 0 | 0 | 0 | 0 |
| 38.0 | Depreciation Expense - Unfunded | 0 | 0 | 0 | 0 |
| 41.0 | Grants, subsidies, and contributions | 3,541,850 | 3,535,116 | 3,165,222 | -369,894 |
| 42.0 | Insurance claims and indemnities | 235 | 235 | 235 | 0 |
| | Total | 3,589,878 | 3,583,053 | 3,213,159 | -369,894 |
| | | | | | |
| | 1/Other goods and services from Federal sources | | | | |
| | Working Capital Fund | 5,330 | 5,330 | 5,330 | 0 |
| | DHS Services | 122 | 122 | 122 | 0 |
| | Census Services | 320 | 320 | 320 | 0 |

STATE UNEMPLOYMENT INSURANCE AND EMPLOYMENT SERVICE OPERATIONS

| APPROPRIATION HISTORY (Dollars in Thousands) | | | | | |
|--|---|----------------------------|-----------------------------|-----------------------|------------|
| | Budget Estimates to Congress | House Allowance | Senate Allowance | Appropriations | FTE |
| 2008 | | | | | |
| Base Appropriation...1/ 2/ | \$3,338,753 | | | \$3,265,883 | 0 |
| Legislative Proposal | -\$745,561 | | | | 0 |
| 2009 | | | | | |
| Base Appropriation...3/ 4/ | \$2,782,914 | | | \$4,701,552 | 162 |
| Legislative Proposal | -\$49,677 | | | | 0 |
| 2011 | | | | | |
| Base Appropriation...5/ | \$4,435,327 | | | \$4,790,657 | 209 |
| 2012 | | | | | |
| Base Appropriation...6/ | \$4,202,057 | | | \$5,049,888 | 181 |
| 2013 | | | | | |
| Base Appropriation | \$3,962,240 | | | \$4,171,233 | 181 |
| Legislative Proposal | \$3,000 | | | | 0 |
| 2014 | | | | | |
| Base Appropriation...7/ | \$3,825,699 | | | \$3,879,339 | 188 |
| 2015 | | | | | |
| Base Appropriation...7/ | \$3,676,455 | | | \$3,597,150 | 177 |
| 2016 | | | | | |
| Base Appropriation | \$4,138,023 | | | \$3,589,878 | 182 |
| 2017 | | | | | |
| Base Appropriation...8/ | \$3,631,085 | | | | 0 |
| 2018 | | | | | |
| Base Appropriation | \$3,213,159 | | | | 156 |

1/ Reflects 1.747% rescission.

2/ FTE totals for Office of Foreign Labor Certification program administration reflected beginning in FY 2008.

3/ This bill was only reported out of Subcommittee and was not passed by the Full House.

4/ Includes \$492,492,000 for the estimated use of the AWIU contingency trigger.

5/ Reflects a 0.2% across-the-board rescission pursuant to P.L. 112-10.

6/ Reflects a 0.189% across-the-board rescission pursuant to P.L. 112-74.

7/ Reflects actual appropriation. Other exhibits in this document reflect Foreign Labor Certification Federal Administration funding and FTE adjusted for the comparative transfer for the indirect costs realignment.

8/ A full-year 2017 appropriation for this account was not enacted at the time the budget was prepared.

STATE UNEMPLOYMENT INSURANCE AND EMPLOYMENT SERVICE OPERATIONS

SUIESO Introduction

State Unemployment Insurance and Employment Service Operations (SUIESO) funds are allocated to States to administer programs that provide temporary assistance for eligible unemployed workers based on estimated claims levels; job search assistance for those seeking employment; and to increase the capacity of the public workforce system to serve job seekers, including job seekers with disabilities. Funds are also used for certification of statutory compliance for permanent or temporary foreign workers.

Programmatic activities under the SUIESO account includes the Unemployment Insurance program which provides temporary wage replacement for unemployed workers, and the U.S. Employment Services which serves to connect job seekers with job opportunities in their local workforce area. The Office of Foreign Labor Certification protects the wages and working conditions of American and foreign nationals through the processing of both permanent and temporary work programs. Finally, resources devoted to system building and workforce information services bolster the capacity of the public workforce system to prepare workers for their next jobs.

UNEMPLOYMENT INSURANCE

| BUDGET AUTHORITY BEFORE THE COMMITTEE | | | | |
|--|----------------------------|---------------------------------------|----------------------------|---|
| (Dollars in Thousands) | | | | |
| | FY 2016 Enacted | FY 2017 Full Year C.R. | FY 2018 Request | Diff. FY18 Request / FY17 Full Year C.R. |
| Activity Appropriation | 2,760,097 | 2,754,850 | 2,647,775 | -107,075 |
| FTE | 0 | 0 | 0 | 0 |

Introduction

The Federal-State Unemployment Insurance (UI) program, authorized by Title III of the Social Security Act (SSA), provides temporary, partial wage replacement to eligible workers temporarily or permanently laid off from their jobs. To be eligible for benefits, workers must have recently worked, be involuntarily separated through no fault of their own, and be actively seeking new employment. Workers who quit their jobs voluntarily without good cause or are fired for cause are not eligible for UI benefits. An integral part of the public workforce investment system, the UI program is one of the key entry points for unemployed workers into the American Job Centers and to the services that speed their return to work. The Workforce Innovation and Opportunity Act, which emphasizes reemployment service delivery to UI claimants under the Wagner-Peyser Act, requires Wagner-Peyser Act employment services to be co-located with the American Job Centers' delivery system and puts a new focus on the alignment of data systems that support effective service delivery.

The UI program is an important safety net for unemployed workers, providing them with income support when work is unavailable. In addition, UI is a critical economic stabilizer during recessions. A study completed by IMPAQ International (*The Role of Unemployment Insurance as an Automatic Stabilizer during a Recession*, July 2010) analyzed the impact of the UI Program during the Great Recession. The study concluded that, on average, each \$1.00 spent on UI benefits during a recession generated \$2.00 in economic activity.

Regular UI benefits and administration are funded by State payroll and Federal taxes, respectively. States administer the UI program directly and also administer certain Federal UI benefit programs. UI National Activities provides funds with which the Department supports the States collectively in administering state UI programs. Funding for Reemployment Services and Eligibility Assessments (RESEA) supports States providing in-person reemployment services and eligibility assessments in American Job Centers for UI beneficiaries determined to have a high likelihood of exhausting their UI benefits – thereby promoting faster reemployment and reducing improper UI payments by ensuring that continued eligibility requirements are met.

The Federal role in the Federal-state partnership that administers the UI program includes setting overall program policies, establishing and monitoring performance measures and standards, providing technical assistance to States, ensuring the conformity of state laws and the compliance of state operations with Federal law, and funding the administration of State and Federal UI programs.

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The Budget supports paid leave for working families; the speedy reemployment of the potentially long-term unemployed; improvement of program integrity; and States' efforts to more effectively prevent, detect, and recover improper payments.

Paid Parental Leave

During his campaign, the President pledged to provide paid family leave to help new parents. The 2018 Budget delivers on this promise with a fully paid-for proposal to provide six weeks of paid family leave to new mothers and fathers, including adoptive parents, so all families can afford to take time to recover from childbirth and bond with a new child without worrying about paying their bills.

Using the Unemployment Insurance system as a base, the proposal will allow states to establish paid parental leave programs in a way that is most appropriate for their workforce and economy. States would be required to provide six weeks of parental leave and the proposal gives States broad latitude to design and finance the program. The proposal is fully offset by a package of sensible reforms to the UI system, including reforms to reduce improper payments, help unemployed workers find jobs more quickly, and encourage states to maintain reserves in their Unemployment Trust Fund accounts. The Administration looks forward to working with Congress on legislation to make paid parental leave a reality for families across the nation.

The proposal provides mandatory funding for the states' start-up costs and administrative costs to operate the program through grants provided by the Employment and Training Administration, including \$709 million in funding for start-up costs in 2018.

Reemployment Services and Eligibility Assessments

Evidence suggests that the RESEA program is a cost-effective way of reducing improper payments and getting claimants back to work faster and at higher wages. Beginning in 2019, the Budget proposes a permanent, mandatory RESEA program. This program will provide states with funding to provide reemployment services and eligibility assessments to one-half of claimants identified as most likely to exhaust benefits as well as to all Unemployment Compensation for Ex-Servicemembers (UCX) claimants. Funding will fluctuate each year along with the number of individuals who receive UI benefits to ensure that states are able to provide services to claimants that need them.

UI Program Integrity

The mandatory RESEA proposal is paired with a comprehensive integrity legislative package designed to provide states with new tools and resources to combat UI fraud and improper payments. The package includes the following components:

1. *Require States to use SIDES.* This proposal will require state UI agencies to use the State Information Data Exchange System (SIDES) to exchange information with employers concerning reasons for a claimant's separation from employment.

UNEMPLOYMENT INSURANCE

2. *Require States to cross-match against the NDNH.* This proposal will require state UI agencies to use the National Directory for New Hires to better identify individuals continuing to claim unemployment compensation after returning to work, which is one of the leading root causes of UI improper payments
3. *Allow the Secretary of Labor to establish UI corrective actions.* This proposal will allow the Secretary of Labor to require states to implement corrective action measures for poor State performance in the UI program, helping to reduce improper payments in States with the highest improper payment rates. Currently, the Secretary has very limited options to require State UI agencies to take actions to respond to poor performance and high improper payment rates.
4. *Require States to cross match with SSA's prisoner database and other repositories of prisoner information.* Under current law, State UI agencies' use of this cross-match is permissible and the Social Security Administration's (SSA) Prisoner Update Processing System (PUPS) is currently only used by some States for UI verification. Requiring States to cross match claims against the PUPS or other repositories of prisoner information will help identify those individuals ineligible for benefits due to incarceration and reduce improper payments.
5. *Allow States to retain up to 5 percent of UI overpayments for program integrity use.* This proposal will allow States to retain up to 5 percent of overpayment recoveries to fund additional program integrity activities in each State's UI program. This provides an incentive to States to increase detection and recovery of improper payments and provides necessary resources to carry out staff-intensive work to validate cross match hits as required by law.
6. *Require States to use penalty and interest collections solely for UI administration.* This proposal will require States to deposit all penalty and interest payments collected through the UI program into a special state fund and require the funds be used for improving State administration of the UI program and reemployment services for UI claimants. States with high improper payment rates would be required to use a portion of the funds for program integrity activities. Currently, States have discretion to use these funds for non-UI purposes.

Minimum Solvency Standard

Many State Unemployment Trust Fund accounts have yet to recover from the impact of the Great Recession and are not currently adequately financed. As of December 31, 2016 it is estimated that only 20 States had sufficient reserves to weather another recession. Low State reserves remain a serious threat to the UI program. The Budget proposes to strengthen the incentive for States to adequately fund their UI systems by applying the Federal Unemployment Tax Act (FUTA) credit reduction rules to states that have an Average High Cost Multiple (AHCM) of less than 0.5 on two or more consecutive January firsts. An AHCM of 1.0 indicates that a state has sufficient funds in its trust fund account to pay benefits for one year of an average recession.

UNEMPLOYMENT INSURANCE

This would strengthen States' incentive to adequately fund their UI systems, before their Trust Funds face any future recessionary demands, resulting in a decrease in the likelihood of insolvency and the need to borrow. All funds received through the credit reduction would be applied to State Unemployment Trust Fund accounts to help States rebuild balances.

Five-Year Budget Activity History

| <u>Fiscal Year</u> | <u>Funding</u> (Dollars in Thousands) | <u>FTE</u> |
|--------------------|--|------------|
| 2013 | \$3,007,155 | 0 |
| 2014 | \$2,892,251 | 0 |
| 2015 | \$2,790,685 | 0 |
| 2016 | \$2,760,097 | 0 |
| 2017 | \$0 | 0 |

NOTE: A full-year 2017 appropriation for this account was not enacted at the time the budget was prepared.

UNEMPLOYMENT INSURANCE

| DETAILED WORKLOAD AND PERFORMANCE | | | | | |
|---|---|----------------------------|---------------|---------------------------------------|----------------------------|
| | | FY 2016 Enacted | | FY 2017 Full Year C.R. | FY 2018 Request |
| | | Target | Result | Target | Target |
| Unemployment Insurance | | | | | |
| Reemployment Services and Eligibility Assessments-UI Integrity | | | | | |
| | Employer Tax Accounts (in thousands) | 7,843 | 7,993 | 8,060 | 8,107 |
| | Initial Claims Taken (in thousands) | 17,673 | 14,038 | 14,844 | 14,895 |
| | Weeks Claimed (in thousands) | 129,849 | 113,293 | 113,666 | 111,173 |
| ETA-UI-01 | First Payment Timeliness (Unemployment Insurance) | 87.5% | 84.5% | 87.0% | 87.0% |
| ETA-UI-02 | Detection of Recoverable Overpayments (Unemployment Insurance) | 67.9% | 57.5% | 61.4% | 61.4% |
| ETA-UI-03 | Employer Liability Determinations Made Promptly (Unemployment Insurance) | 89.0% | 88.9% | 88.0% | 88.0% |
| ETA-UI-04 | Entered Employment Rate/Employment in the 2nd quarter after exit for UI claimants receiving Wagner-Peyser Act services (Unemployment Insurance) | -- | -- | [base] | -- |
| ETA-OUI-01(a) | Improper Payment Rate with Revised Calculation Methodology Beginning FY 2014 (Unemployment Insurance) | 10.63% | 11.65% | 11.55% | 11.45% |

Legend: (r) Revised (e) Estimate (base) Baseline -- Not Applicable TBD - To Be Determined [p] - Projection

UNEMPLOYMENT INSURANCE

Workload and Performance Narrative

The Detailed Workload and Performance table provides estimates of the number of unemployment benefit claims and contributing employer tax accounts. Based on the economic assumptions issued in March 2017, the Department projects a decrease in the number of weeks claimed — from 113,293,000 in FY 2016 to 111,173,000 in FY 2018 – and an increase in the number of initial claims taken and employer tax accounts — from 14,038,000 and 7,993,000 in FY 2016 to 14,895,000 and 8,107,000 in FY 2018, respectively. It is important to note that UI workload volumes are influenced by economic conditions, not the administrative funds available. It is estimated that the unemployment rate in FY 2018 will average 4.5 percent (down from 4.9 percent in FY 2016), and this tightening labor market along with a number of States enacting reduced maximum durations will exert downward pressure on average durations for UI claimants. As workloads are processed by the States, however, funding levels do affect the quality and timeliness of state UI operations.

Past Performance Results and Future Projections

1) Payment Timeliness: In FY 2016, the target was 87.5 percent for first payments made within 14-21 days. Performance improved to 84.5 percent from the FY 2015 level of 83.7 percent. Given the gap between 2016 performance and the 2016 target and the performance trend, performance seems likely to fall short of the FY 2017 target of 87.0 percent; however, the Department anticipates that performance will continue to trend positively.

2) Detection of Overpayments: In FY 2016, States detected and established for recovery 57.5 percent of estimated overpayments, which exceeded the FY 2015 target of 55.3 percent. Based on the FY 2015 detection of overpayment results of 62.8 percent and ETA's robust strategic plan targeting the largest root causes of improper payments, ETA set an ambitious target for FY 2016 which was unattainable (67.9 percent). The FY 2016 target was over 5 percentage points higher than FY 2015 results. As such, the FY 2017 target was reduced to a more reasonable level based on the trend for this measure - 61.4 percent, and the FY 2018 target remains unchanged from FY 2017. Although States have benefited with the supplemental funding provided for implementing program-integrity related automation projects, they continue to be challenged by the lack of adequate staff to independently validate the hits received through automated cross-match with different data sources. The Computer Matching and Privacy Protection Act requires an independent verification of the information received from certain cross-matches prior to suspending, terminating, or reducing benefit payments to claimants.

3) Establish Tax Accounts Promptly: In FY 2016, 88.9 percent of new status determinations were made within 90 days of the end of the quarter in which the firm became liable. This represents an increase of 1.6 percentage points from the year before and was just 0.1 percentage point below the FY 2016 target of 89 percent.

In FY 2016, 26 States' performance improved, which, in turn, increased the national average from 87.3 percent in FY 2015 to 88.9 percent. The FY 2018 target remains unchanged from FY 2017.

UNEMPLOYMENT INSURANCE

4) Improper Payment Rate: In FY 2016, the UI improper payment rate was 11.65 percent, which is 0.95 percentage points above the FY 2015 level. ETA's comprehensive strategic plan focuses on State strategies that address specific root causes of improper payments. The plan is continuously evolving as new strategies are identified and the progress with each strategy in this plan is regularly monitored. These strategies target the three largest root causes of UI improper payments: payments to individuals who continue to claim benefits after they have returned to work (Benefit Year Earnings); failure of claimants to comply with the state's work search requirements (Work Search); and failure of employers or their third party administrators to provide timely and adequate information on the reason for an individual's separation from employment (Separation).

UNEMPLOYMENT INSURANCE

| BUDGET ACTIVITY BY OBJECT CLASS | | | | | |
|--|--|----------------------------|---------------------------------------|----------------------------|---|
| (Dollars in Thousands) | | | | | |
| | | FY 2016 Enacted | FY 2017 Full Year C.R. | FY 2018 Request | Diff. FY18 Request / FY17 Full Year C.R. |
| 11.1 | Full-time permanent | 0 | 0 | 0 | 0 |
| 11.5 | Other personnel compensation | 0 | 0 | 0 | 0 |
| 11.9 | Total personnel compensation | 0 | 0 | 0 | 0 |
| 12.1 | Civilian personnel benefits | 0 | 0 | 0 | 0 |
| 21.0 | Travel and transportation of persons | 0 | 0 | 0 | 0 |
| 23.0 | Rent, Communications, and Utilities | 0 | 0 | 0 | 0 |
| 23.3 | Communications, utilities, and miscellaneous charges | 0 | 0 | 0 | 0 |
| 24.0 | Printing and reproduction | 0 | 0 | 0 | 0 |
| 25.1 | Advisory and assistance services | 0 | 0 | 0 | 0 |
| 25.2 | Other services from non-Federal sources | 0 | 0 | 0 | 0 |
| 25.3 | Other goods and services from Federal sources 1/ | 0 | 0 | 0 | 0 |
| 25.7 | Operation and maintenance of equipment | 0 | 0 | 0 | 0 |
| 26.0 | Supplies and materials | 0 | 0 | 0 | 0 |
| 31.0 | Equipment | 0 | 0 | 0 | 0 |
| 41.0 | Grants, subsidies, and contributions | 2,760,097 | 2,754,850 | 2,647,775 | -107,075 |
| | Total | 2,760,097 | 2,754,850 | 2,647,775 | -107,075 |
| | | | | | |
| | 1/Other goods and services from Federal sources | | | | |

UNEMPLOYMENT INSURANCE

CHANGES IN FY 2018

(Dollars in Thousands)

Activity Changes

Built-In

To Provide For:

| | |
|--|----------|
| Costs of pay adjustments | \$0 |
| Personnel benefits | 0 |
| Travel and transportation of persons | 0 |
| Communications, utilities, and miscellaneous charges | 0 |
| Printing and reproduction | 0 |
| Advisory and assistance services | 0 |
| Other services from non-Federal sources | 0 |
| Other goods and services from Federal sources | 0 |
| Operation and maintenance of equipment | 0 |
| Supplies and materials | 0 |
| Equipment | 0 |
| State Administration Workload Decrease | -135,774 |

Built-Ins Subtotal **-\$135,774**

Net Program **\$28,699**

Direct FTE **0**

| | Estimate | FTE |
|-------------------------|--------------------|----------|
| Base | \$2,619,076 | 0 |
| Program Increase | \$31,218 | 0 |
| Program Decrease | -\$2,519 | 0 |

STATE ADMINISTRATION

| BUDGET AUTHORITY BEFORE THE COMMITTEE | | | | |
|--|----------------------------|---------------------------------------|----------------------------|---|
| (Dollars in Thousands) | | | | |
| | FY 2016 Enacted | FY 2017 Full Year C.R. | FY 2018 Request | Diff. FY18 Request / FY17 Full Year C.R. |
| Activity Appropriation | 2,630,550 | 2,625,549 | 2,505,775 | -119,774 |
| FTE | 0 | 0 | 0 | 0 |

Introduction

States administer the Unemployment Insurance (UI) program directly and are responsible for establishing policies and operating methods that conform to Title III of the Social Security Act, the Federal Unemployment Tax Act (Chapter 23, Internal Revenue Code), and other Federal regulations. The major functions performed by the states are: (1) determining benefit entitlement; (2) paying benefits; and (3) collecting UI taxes from employers.

The states also administer Federal programs for payments to former military and civilian personnel, claimants who qualify for extended or special Federal unemployment benefits, workers certified under the Trade Adjustment Assistance, including the Reemployment Trade Adjustment Assistance and Alternative Trade Adjustment Assistance programs, and individuals who are unemployed due to disasters.

Program Accountability and Performance:

The Department will continue to focus on bolstering program accountability and facilitating performance improvement nationally. Strategies to meet this objective include:

- Working with identified “High Priority” states with the poorest performance and providing high-emphasis technical assistance to support performance improvement; and
- Continue monitoring of state program operations. As part of UI Performs, a comprehensive performance management system for the UI program, the State Quality Service Plan (SQSP) is the principal vehicle that the state UI programs use to plan, record, and manage improvement efforts. The UI Performs system includes national core performance measures with specific criteria for acceptable levels of performance. Any state that does not meet the criteria for any of the core measures must submit a corrective action plan in its annual SQSP submission.

Two national measures have been established to monitor progress in these focus areas, emphasizing continuous improvement and shared responsibility between State and Federal partners.

- **Payment Timeliness:** The target 87.0 percent of all State UI intrastate first payments for weeks of full unemployment will be made within 14 or 21 days, depending on whether the state has a required waiting week.

STATE ADMINISTRATION

Making timely payments to unemployed workers is critical to fulfilling the UI system's key statutory objectives of making full payment of unemployment compensation "when due" and providing economic stabilization during economic downturns. This measure, which includes nearly 90 percent of all State UI intrastate first payments, is a good indicator of overall payment timeliness.

- **Establish Tax Accounts Promptly:** 88.0 percent of the UI tax liability determinations for new employers will be made within 90 days of the end of the quarter in which employers become liable.

Promptly enrolling new employers in the UI program is key to fulfilling major program objectives of supporting the timely payment of taxes – which fund UI benefits – and making timely and accurate eligibility determinations based on employer-reported wages.

Program Integrity and the Reduction of Improper Payments:

A high priority at the Department is to improve overall program integrity by improving States' ability to prevent, detect, and recover UI improper payments and fraud as quickly as possible. Strategies designed to advance these efforts include:

- 1) Implementation of strategies to address the root causes of improper payments. The Department has developed a comprehensive Improper Payments Strategic Plan to address the root causes of improper payments and is aggressively working to implement the strategies outlined in the plan in collaboration with State partners. Activities include the implementation of new performance measures; developing new improper payment prevention tools; enhancing existing tools; intensive monitoring of underperforming States; and targeted technical assistance.
- 2) Continued support for the UI Integrity Center of Excellence. The Center's mission is to develop, implement, and promote innovative integrity strategies in the UI program, focusing on the prevention and detection of fraud. Its mission also includes offering States technical assistance, and collecting and disseminating best practices among the States. Center activities supplement and support, but do not duplicate, States efforts to reduce UI improper payments, giving them sophisticated data analytic tools to rapidly alert them of fraud schemes, supporting ongoing knowledge-sharing among States through the identification and dissemination of integrity practices across the UI program, increasing State staff capacity by developing and providing centralized training on fraud solutions and integrity strategies, identifying model integrity State operations, and providing technical assistance to States support program integrity improvements.

New activities that will be supported by the FY 2018 budget include expanded development of a secure integrity data hub to provide States access to information for cross-match efforts that will prevent and detect improper payments.

STATE ADMINISTRATION

Five-Year Budget Activity Component History

| <u>Fiscal Year</u> | <u>Funding</u> (Dollars in Thousands) | <u>FTE</u> |
|--------------------|--|------------|
| 2013 | \$2,949,685 | 0 |
| 2014 | \$2,801,575 | 0 |
| 2015 | \$2,697,793 | 0 |
| 2016 | \$2,630,550 | 0 |
| 2017 | \$0 | 0 |

NOTE: A full-year 2017 appropriation for this account was not enacted at the time the budget was prepared.

Funding Mechanism

The Department provides annual workload-based grants to states for the administration of UI programs in accordance with Section 302(a) of the Social Security Act. This Act requires the Secretary to determine, within appropriated funds, the amount “necessary for proper and efficient administration” of each state’s UI law during the fiscal year. A “base” administrative grant is issued at the beginning of each fiscal year. States may receive additional administrative funds above their base grant levels, on a quarterly basis, when claims-related workloads exceed the amount funded by the base grant.

In developing the administrative funding allocations for states, the Department uses state-specific information that relates directly to the administrative costs in each state, including the number of claims processed, the average amount of time required to process a claim, state-level personnel costs, and the number of employers subject to the UI tax. The funding formula is designed to provide each state with an amount that will support a roughly equal level of services across states.

FY 2018

For UI State Administration, the FY 2018 Budget includes \$2,505,775,000 – a decrease of \$119,774,000 from the FY 2017 annualized continuing resolution level of \$2,625,549,000.

The funds requested are sufficient to process, on average, 2,154,000 continued claims per week (referred to as the average weekly insured unemployment or AWIU), including claims made under the Trade Act of 1974, as amended. During the year, States are expected to collect \$41.7 billion in state unemployment taxes and pay an estimated \$32.3 billion in Federal and state UI benefits to 6.5 million beneficiaries, including former Federal military and civilian personnel, recipients of Federal-State EB, and workers adversely affected by foreign trade who may be eligible for benefits under the Trade Act.

The request continues the existing contingency reserve language that provides for additional funds to meet unanticipated UI workloads. This contingency reserve provides \$28,600,000 for each 100,000 increase in the total AWIU, which is set at 2,154,000 in the request and referred to as the AWIU trigger.

STATE ADMINISTRATION

The appropriation language allows states up to three years to obligate UI funds if the funds are used for automation activities, competitive grants for improved operations, reemployment services and eligibility assessments, or other improper payment activities – effectively allowing States to obligate FY 2018 funds used for these purposes until September 30, 2020. The appropriation language also allows states up to five years to obligate funds and up to six years to expend funds for automation when a consortium of State agencies is engaged to leverage resources for the implementation of a common IT platform across multiple states.

The Budget includes \$6,000,000 for continued support and expansion of the UI Integrity Center of Excellence, including supporting an integrated data hub, training modules, and data analytics capacity to assist states in identifying fraud and preventing, detecting, and recovering improper payments. The Center supports the goals of the Improper Payment Information Act, IPERA, IPERIA, and OMB Memorandum M-12-11.

The Budget also includes \$16,000,000 to partially offset inflationary costs, which resulted from over a decade of inflationary increases to salary and information technology costs required to administer the UI program.

FY 2017

Figures shown for FY 2017 reflect the annualized Continuing Resolution level, as a full-year appropriation had not been enacted at the time the budget was produced. The Department will provide an Operating Plan after a full-year appropriation bill is enacted.

STATE ADMINISTRATION

CHANGES IN FY 2018

(Dollars in Thousands)

Activity Changes

Built-In

To Provide For:

| | |
|---|----------|
| Costs of pay adjustments | \$0 |
| Other services from non-Federal sources | 0 |
| Operation and maintenance of equipment | 0 |
| State Administration Workload Decrease | -135,774 |

Built-Ins Subtotal **-\$135,774**

Net Program **\$16,000**

Direct FTE **0**

| | Estimate | FTE |
|-------------------------|--------------------|----------|
| Base | \$2,489,775 | 0 |
| Program Increase | \$16,000 | 0 |
| Program Decrease | \$0 | 0 |

REEMPLOYMENT SERVICES AND ELIGIBILITY ASSESSMENTS

| BUDGET AUTHORITY BEFORE THE COMMITTEE | | | | |
|--|----------------------------|---------------------------------------|----------------------------|---|
| (Dollars in Thousands) | | | | |
| | FY 2016 Enacted | FY 2017 Full Year C.R. | FY 2018 Request | Diff. FY18 Request / FY17 Full Year C.R. |
| Activity Appropriation | 115,000 | 114,782 | 130,000 | 15,218 |
| FTE | 0 | 0 | 0 | 0 |

Introduction

In FY 2016, the RESEA program was operational in 50 jurisdictions including 47 States, the District of Columbia, Puerto Rico, and the Virgin Islands, which were provided grants to operate this voluntary program. However, only about 18 percent of UI beneficiaries were scheduled for an RESEA in FY 2016. The Budget proposes to make the RESEA program mandatory in all states beginning in FY 2019 and proposes funding to make that possible.

Robust reemployment services that help claimants develop and implement individual reemployment plans are critical to getting them reemployed as quickly as possible. The combination of the dual service-delivery strategies of conducting eligibility assessments and providing reemployment services help ensure the proper payment of UI and UCX, reduce the duration of UI benefits, and deliver successful employment outcomes.

A recent research report on REAs can be found at the following web address: http://wdr.doleta.gov/research/keyword.cfm?fuseaction=dsp_puListingDetails&pub_id=2487&mp=y&start=21&sort=7. This research shows that when both eligibility assessments and reemployment services are provided seamlessly, reemployment outcomes for claimants improve and the duration of benefits is shorter.

The RESEA program is based on a successful model established in Nevada in which eligibility assessments were delivered seamlessly with reemployment services. Research¹ on that service-delivery model found it to be effective in the following ways:

- 1) Claimants were significantly less likely to exhaust their benefits;
- 2) Claimants had significantly shorter UI durations and lower total benefits paid (on average 1.82 fewer weeks and \$536 lower total benefits paid);
- 3) Claimants were more successful in returning to work sooner, earning higher wages in the measurement period, and retaining their jobs; and
- 4) Every \$1.00 of cost produced \$2.60 of savings.

Beginning in 2019, the Budget proposes mandatory funding for RESEA targeting the one-half of claimants profiled as most likely to exhaust benefits and all UCX claimants. Authorizing mandatory funding would allow funding for these services to fluctuate each year with the

¹ IMPAQ International. January 2012. *Impact of the Reemployment and Eligibility Assessment (REA) Initiative in Nevada*.

REEMPLOYMENT SERVICES AND ELIGIBILITY ASSESSMENTS

number of UI claimants, so more resources would be available when more workers need them and fewer resources would be available when fewer workers are receiving UI benefits

Five-Year Budget Activity Component History

| <u>Fiscal Year</u> | <u>Funding</u> (Dollars in Thousands) | <u>FTE</u> |
|---------------------------|---|-------------------|
| 2013 | \$46,793 | 0 |
| 2014 | \$80,000 | 0 |
| 2015 | \$80,000 | 0 |
| 2016 | \$115,000 | 0 |
| 2017 | \$0 | 0 |

NOTE: A full-year 2017 appropriation for this account was not enacted at the time the budget was prepared.

Funding Mechanism

Funding is provided to States on a formula basis derived from the number of projected eligible claimants at a cost in FY 2017 of \$155 per claimant served. This factor will be indexed in the future to reflect increasing costs. State UI agencies will be required to collaborate with the State's Employment Service (ES) agency to develop and implement an integrated program and service delivery model.

Beginning in FY 2017, the Department required that all RESEA participants be co-enrolled in the Wagner Peyser Employment Service and appropriately identified in applicable case management and performance reporting systems. In addition to supporting greater efficiencies within the RESEA program, this co-enrollment requirement will allow the capture of RESEA performance data using the WIOA common measures, which are a common set of outcomes used across the Department's workforce and training programs. The use of common measures supports greater transparency and accountability and encourages the further integration of RESEA into the workforce system. Similar to other programs using the WIOA common measures, we expect to begin identifying outcomes for RESEA in late Program Year 2018.

FY 2018

In FY 2018, the Department request includes \$130,000,000 for Reemployment Services and Eligibility Assessments (RESEAs). The requested amount of \$130,000,000 is a \$15,218,000 increase over the annualized FY 2017 Continuing Resolution level. This funding is intended to support transitioning veterans who receive UCX and as many claimants as possible who have been identified as most likely to exhaust their UI benefits. At the level of funding requested:

- 1) RESEA services will be targeted to profiled claimants most likely to exhaust their regular state UI benefits (800,000 claimants) and individuals recently separated from the military and receiving UCX (48,000 claimants). States will provide these services with the appropriated funds and claimants referred to these services will be required to participate.

REEMPLOYMENT SERVICES AND ELIGIBILITY ASSESSMENTS

- 2) The RESEA program will provide integrated reemployment services to UI claimants including: in-person reporting to the American Job Centers, one-on-one reviews of eligibility for UI or UCX benefits; provision of labor market and career information to claimants to inform their career choices; support for the development or revision of an individual reemployment plan; orientation to services available through American Job Centers; and provision of self-service and staff-assisted reemployment services, including skills assessments, career counseling, job matching and referrals, job search assistance workshops, and referrals to training as appropriate.

By applying this integrated approach to individuals likely to be long-term unemployed and transitioning veterans nationally, it is estimated that this initiative will reduce the average duration of UI and UCX benefit receipt by 1.4 weeks for claimants participating in the RESEA program and result in benefits savings of approximately \$316,000,000. Looking forward, the RESEA proposal will support a more comprehensive approach to reemployment, including strategies to encourage more sophisticated communication between UI and the workforce system aided by technology that will allow both systems to view claimant outcomes on a continuum as they move from assessment, to services (such as job search and resume writing workshops), and then to job placement.

FY 2017

Figures shown for FY 2017 reflect the annualized Continuing Resolution level, as a full-year appropriation had not been enacted at the time the budget was produced. The Department will provide an Operating Plan after a full-year appropriation bill is enacted.

REEMPLOYMENT SERVICES AND ELIGIBILITY ASSESSMENTS

CHANGES IN FY 2018

(Dollars in Thousands)

Activity Changes

Built-In

To Provide For:

| | |
|--------------------------|-----|
| Costs of pay adjustments | \$0 |
|--------------------------|-----|

| | |
|----------------------------------|---|
| Advisory and assistance services | 0 |
|----------------------------------|---|

| | |
|-----------|---|
| Equipment | 0 |
|-----------|---|

| | |
|--------------------------------------|---|
| Grants, subsidies, and contributions | 0 |
|--------------------------------------|---|

| | |
|---------------------------|------------|
| Built-Ins Subtotal | \$0 |
|---------------------------|------------|

| | |
|--------------------|-----------------|
| Net Program | \$15,218 |
|--------------------|-----------------|

| | |
|-------------------|----------|
| Direct FTE | 0 |
|-------------------|----------|

| | Estimate | FTE |
|-------------------------|------------------|----------|
| Base | \$114,782 | 0 |
| Program Increase | \$15,218 | 0 |
| Program Decrease | \$0 | 0 |

NATIONAL ACTIVITIES

| BUDGET AUTHORITY BEFORE THE COMMITTEE | | | | |
|--|----------------------------|---------------------------------------|----------------------------|---|
| (Dollars in Thousands) | | | | |
| | FY 2016 Enacted | FY 2017 Full Year C.R. | FY 2018 Request | Diff. FY18 Request / FY17 Full Year C.R. |
| Activity Appropriation | 14,547 | 14,519 | 12,000 | -2,519 |
| FTE | 0 | 0 | 0 | 0 |

Introduction

UI National Activities provides funding to support the States collectively in administering their UI programs. These investments help the Department improve program performance and accountability and support critical information technology infrastructure for use by States.

UI National Activities funding provides an avenue for States to apply common technology-based solutions to improve the efficiency and performance of their UI operations through the Interstate Connection Network (ICON), which is a data exchange network that allows State workforce agencies to share claims information, and the National Association of State Workforce Agencies' Information Technology Support Center (ITSC), which provides services, products, and technical assistance to State workforce agencies in support UI information technology modernization.

Five-Year Budget Activity Component History

| <u>Fiscal Year</u> | <u>Funding</u> (Dollars in Thousands) | <u>FTE</u> |
|---------------------------|---|-------------------|
| 2013 | \$10,677 | 0 |
| 2014 | \$10,676 | 0 |
| 2015 | \$12,892 | 0 |
| 2016 | \$14,547 | 0 |
| 2017 | \$0 | 0 |

NOTE: A full-year 2017 appropriation for this account was not enacted at the time the budget was prepared.

Funding Mechanism

UI National Activities is a separate line item within the UI budget. These activities support the Federal-State UI system as a whole, are interstate or multi-State in nature, or are performed more efficiently and cost-effectively on a consolidated rather than decentralized basis. Funding for these activities is generally issued through cooperative agreements and contracts.

FY 2018

In FY 2018, the Department request includes \$12,000,000 for UI National Activities – a decrease of \$2,519,000 from the annualized FY 2017 Continuing Resolution level.

NATIONAL ACTIVITIES

FY 2017

Figures shown for FY 2017 reflect the annualized Continuing Resolution level, as a full-year appropriation had not been enacted at the time the budget was produced. The Department will provide an Operating Plan after a full-year appropriation bill is enacted.

NATIONAL ACTIVITIES

CHANGES IN FY 2018

(Dollars in Thousands)

Activity Changes

Built-In

To Provide For:

| | |
|--|-----|
| Costs of pay adjustments | \$0 |
| Personnel benefits | 0 |
| Travel and transportation of persons | 0 |
| Communications, utilities, and miscellaneous charges | 0 |
| Printing and reproduction | 0 |
| Advisory and assistance services | 0 |
| Other services from non-Federal sources | 0 |
| Other goods and services from Federal sources | 0 |
| Operation and maintenance of equipment | 0 |
| Supplies and materials | 0 |
| Equipment | 0 |
| Grants, subsidies, and contributions | 0 |

Built-Ins Subtotal **\$0**

Net Program **-\$2,519**

Direct FTE **0**

| | Estimate | FTE |
|-------------------------|-----------------|----------|
| Base | \$14,519 | 0 |
| Program Increase | \$0 | 0 |
| Program Decrease | -\$2,519 | 0 |

EMPLOYMENT SERVICE

| BUDGET AUTHORITY BEFORE THE COMMITTEE | | | | |
|--|----------------------------|---------------------------------------|----------------------------|---|
| (Dollars in Thousands) | | | | |
| | FY 2016 Enacted | FY 2017 Full Year C.R. | FY 2018 Request | Diff. FY18 Request / FY17 Full Year C.R. |
| Activity Appropriation | 699,818 | 698,487 | 435,668 | -262,819 |
| FTE | 0 | 0 | 0 | 0 |

Introduction

The Wagner-Peyser Act of 1933 established a nationwide system of public employment offices, known as the Employment Service (ES). The Act was amended by both the Workforce Investment Act (WIA) of 1998 and the Workforce Innovation and Opportunity Act (WIOA), enacted in 2014. ES functions are a central component of the public workforce system. ES provides labor exchange services to all job seekers and helps businesses to meet their hiring needs by referring qualified workers. WIOA also promotes use of ES funding to support the reemployment of Unemployment Insurance (UI) claimants and other job seekers by providing career counseling and labor market information, job search assistance and other career services. The ES also provides appropriate referrals to other programs and services, such as WIOA Adult and Dislocated Worker programs, Pell Grants, GI Bill benefits, Jobs for Veterans State Grants (JVSG) programs for eligible veterans, and other partner programs. Activities within the ES include ES Grants to States and ES National Activities funding to support Technical Assistance and Training activities.

Five-Year Budget Activity History

| <u>Fiscal Year</u> | <u>Funding</u> (Dollars in Thousands) | <u>FTE</u> |
|---------------------------|---|-------------------|
| 2013 | \$684,003 | 0 |
| 2014 | \$684,002 | 0 |
| 2015 | \$684,002 | 0 |
| 2016 | \$699,818 | 0 |
| 2017 | \$0 | 0 |

NOTE: A full-year 2017 appropriation for this account was not enacted at the time the budget was prepared.

EMPLOYMENT SERVICE

| DETAILED WORKLOAD AND PERFORMANCE | | | | | | | |
|--|--|----------------------------|---------------|----------------------------|---------------|---------------------------------------|----------------------------|
| | | PY 2015 Enacted | | PY 2016 Enacted | | PY 2017 Full Year C.R. | PY 2018 Request |
| | | Target | Result | Target | Result | Target | Target |
| Employment Service | | | | | | | |
| ETA-WIOA ES-01 | Employment Rate – 2nd Quarter After Exit (WIOA Employment Service) | -- | -- | [base] | | [base] | -- |
| ETA-WIOA ES-02 | Employment Rate – 4th Quarter After Exit (WIOA Employment Service) | -- | -- | [base] | | [base] | -- |
| ETA-WIA ES-03 | Median Earning – 2nd Quarter After Exit (WIOA Employment Service) | -- | -- | [base] | | [base] | -- |
| | Number of Participants Served (Employment Service) | 14,521,898[p] | 13,251,536 | 14,866,638[p] | -- | 14,866,638[p] | 8,297,845 |
| | Cost Per Participant Served (Employment Service) | \$46 | -- | \$46 | -- | \$46 | \$50.12 |
| ETA-WIA ES-01 | Entered Employment Rate (WIA Employment Service) | 55.0% | 63.0% | -- | -- | -- | -- |
| ETA-WIA ES-02 | Employment Retention Rate (WIA Employment Service) | 81.2% | 83.9% | -- | -- | -- | -- |
| ETA-WIA ES-03 | Six Months Average Earnings (WIA Employment Service) | \$15,210 | \$15,179 | -- | -- | -- | -- |

Legend: (r) Revised (e) Estimate (base) Baseline -- Not Applicable TBD - To Be Determined [p] - Projection

EMPLOYMENT SERVICE

Workload and Performance Narrative

ES services are delivered through the American Job Center system and are designed to increase employment opportunities for all workers and meet the needs of businesses for work-ready job seekers. One of the main goals of ES is to ensure that job seekers and employers have universal access to basic labor exchange services. States can also leverage ES program funds to provide a broader range of career services, such as case management, assessments, and career counseling, with a particular focus on service delivery to Unemployment Insurance claimants. All of these services are intended to further the goal of preparing workers for better jobs.

Beginning in PY 2016, the performance measures for the ES were revised based on WIOA requirements, which are consistent across populations served. The Department will use the employment and education based measures for budgetary purposes, including: 1) employment in the second quarter after exit; 2) employment in the fourth quarter after exit; and 3) median earnings of those employed in the second quarter after exit. The targets and results for these indicators have not been included in the budget request as the newly-implemented law, WIOA, instituted changes to the methodology the methodology for calculating these performance indicators and the service strategies for the programs have changed. To accurately determine targets, the Department will collect baseline data in PY 2016, PY 2017 and PY 2018 and use results reported for PY 2017 to establish targets.

The Department monitors grantee performance through Federal Project Officers (FPOs) located in the Department regional offices, to ensure that the grantees are in compliance with the statute and on target to meet performance goals. Such monitoring informs the design and delivery of technical assistance to improve performance. As part of program monitoring, the Department looks at the following system outputs:

- Number of people served by the system
- Number of people that receive workforce information services
- Number of people that receive staff-assisted services
- Number of people exiting the program

These outputs help the Department understand whether the states are implementing strategies that will help them meet their strategic goals. The Department conducts evaluations to assess the specific strategies promoted to support goal achievement. The results of such evaluations and research are used to revise and update strategies regularly.

EMPLOYMENT SERVICE

| BUDGET ACTIVITY BY OBJECT CLASS | | | | | |
|--|--|----------------------------|---------------------------------------|----------------------------|---|
| (Dollars in Thousands) | | | | | |
| | | FY 2016 Enacted | FY 2017 Full Year C.R. | FY 2018 Request | Diff. FY18 Request / FY17 Full Year C.R. |
| 11.1 | Full-time permanent | 0 | 0 | 0 | 0 |
| 11.9 | Total personnel compensation | 0 | 0 | 0 | 0 |
| 23.3 | Communications, utilities, and miscellaneous charges | 0 | 0 | 0 | 0 |
| 25.2 | Other services from non-Federal sources | 0 | 0 | 0 | 0 |
| 33.0 | Investments and Loans | 0 | 0 | 0 | 0 |
| 38.0 | Depreciation Expense - Unfunded | 0 | 0 | 0 | 0 |
| 41.0 | Grants, subsidies, and contributions | 699,818 | 698,487 | 435,668 | -262,819 |
| | Total | 699,818 | 698,487 | 435,668 | -262,819 |
| | | | | | |

EMPLOYMENT SERVICE

CHANGES IN FY 2018

(Dollars in Thousands)

Activity Changes

Built-In

To Provide For:

| | |
|--|-----|
| Costs of pay adjustments | \$0 |
| Communications, utilities, and miscellaneous charges | 0 |
| Other services from non-Federal sources | 0 |
| Grants, subsidies, and contributions | 0 |
| Investment and Loans | 0 |

Built-Ins Subtotal **\$0**

Net Program **-\$262,819**

Direct FTE **0**

| | Estimate | FTE |
|-------------------------|-------------------|----------|
| Base | \$698,487 | 0 |
| Program Increase | \$0 | 0 |
| Program Decrease | -\$262,819 | 0 |

GRANTS TO STATES

| BUDGET AUTHORITY BEFORE THE COMMITTEE | | | | |
|--|----------------------------|---------------------------------------|----------------------------|---|
| (Dollars in Thousands) | | | | |
| | FY 2016 Enacted | FY 2017 Full Year C.R. | FY 2018 Request | Diff. FY18 Request / FY17 Full Year C.R. |
| Activity Appropriation | 680,000 | 678,707 | 415,888 | -262,819 |
| FTE | 0 | 0 | 0 | 0 |

Introduction

The Employment Service (ES) Grants to States play an important role in providing opportunities for workers to obtain good jobs available now by effectively responding to employer needs for skilled workers. The ES and labor exchange services provided are key to helping millions of job seekers find new or better jobs and employers find the skilled workers they need. During PY 2015, the ES provided 13,245,280 individuals with access to labor exchange services (both virtually and through the American Job Center network) and helped over 5,800,000 unemployed individuals enter employment, including over 2,600,000 unemployment insurance recipients, and over 360,000 veterans¹.

ES services are provided to a wide array of customers, including to unemployed workers, underemployed workers, veterans, individuals with disabilities, and other job seekers.

The ES supports universal access to the public workforce system through a public labor exchange where job search assistance and related services are made available to all job seekers, job listing services and referrals of qualified job applicants to any employer. Specifically, the ES achieves the following objectives:

- Increases employment opportunities for all workers by reaching out to businesses to better identify local and regional hiring needs and connect businesses and employers to the skilled workers they need;
- Connects job seekers to employment services and job opportunities through American Job Centers, including assessments, provision of timely labor market information, career counseling, job search assistance, and referrals to other training/education opportunities and services;
- Utilizes technology to enable remote and online access to labor exchange services and career and labor market information;
- Accelerates reemployment for UI claimants through provision of enhanced career services, assessments, and referrals; and
- Improves the transition of separating service members and eligible spouses and reducing unemployment periods through similar high-quality reemployment services and strong connections with the Jobs for Veterans State Grants (JVSG) program.

¹ Wagner-Peyser PY 2015 State Performance reports

GRANTS TO STATES

Five-Year Budget Activity Component History

| <u>Fiscal Year</u> | <u>Funding</u> (Dollars in Thousands) | <u>FTE</u> |
|--------------------|--|------------|
| 2013 | \$664,184 | 0 |
| 2014 | \$664,184 | 0 |
| 2015 | \$664,184 | 0 |
| 2016 | \$680,000 | 0 |
| 2017 | \$0 | 0 |

NOTE: A full-year 2017 appropriation for this account was not enacted at the time the budget was prepared.

FY 2018

In FY 2018, the Department is requesting \$415,888,000 to operate the ES in all 50 states and three territories – a decrease of \$262,819,000 from the annualized FY 2017 Continuing Resolution level. This request shifts more responsibility for funding these services to States, local areas, and employers. The funding will be awarded under the regular formula allotment to states supporting labor exchange services to a projected 8,297,845 participants.

The ES serves as the foundation of the public workforce system by providing universal access to labor exchange and other career services, with over 13 million individuals receiving services in PY 2015. In most instances, the ES serves as an individual's first contact with the public workforce system, and individuals rely on the ES staff to provide career guidance on and referrals to training and education services. WIOA strengthens the role of ES as a central hub for individuals navigating Federal, state, and local employment, training, education and other supportive services. Emerging technologies have enabled many labor exchange services to be provided virtually or online through electronic tools, allowing for future reduced costs and efficiencies.

The current cost per participant for the ES is \$50.12. This rate includes individuals receiving self-service through virtual tools and those receiving more costly staff-assisted services.

The Department and states are in the process of implementing new WIOA performance indicators, which are implemented across WIOA core programs including WIOA adult, dislocated worker and youth programs and the Wagner-Peyser Employment Service administered by the Department of Labor, and Vocational Rehabilitation and Adult Education and Family Literacy Act programs, administered by the Department of Education. Program Year 2017 is the first year of reporting for these grantees. Targets were negotiated for some indicators using proxy, historical data from WIA and ES; however, full information will not be available until the end of PY 2017 to calculate complete outcomes for these measures, as certain data will not yet be available. PY 2017 outcomes will be available at the end of calendar year 2018.

GRANTS TO STATES

FY 2017

Figures shown for FY 2017 reflect the annualized Continuing Resolution level, as a full-year appropriation had not been enacted at the time the budget was produced. The Department will provide an Operating Plan after a full-year appropriation bill is enacted.

GRANTS TO STATES

CHANGES IN FY 2018

(Dollars in Thousands)

Activity Changes

Built-In

To Provide For:

Costs of pay adjustments \$0

Grants, subsidies, and contributions 0

Built-Ins Subtotal \$0

Net Program -\$262,819

Direct FTE 0

| | Estimate | FTE |
|-------------------------|-------------------|----------|
| Base | \$678,707 | 0 |
| Program Increase | \$0 | 0 |
| Program Decrease | -\$262,819 | 0 |

EMPLOYMENT SERVICE NATIONAL ACTIVITIES - WOTC

| BUDGET AUTHORITY BEFORE THE COMMITTEE | | | | |
|--|----------------------------|---------------------------------------|----------------------------|---|
| (Dollars in Thousands) | | | | |
| | FY 2016 Enacted | FY 2017 Full Year C.R. | FY 2018 Request | Diff. FY18 Request / FY17 Full Year C.R. |
| Activity Appropriation | 18,485 | 18,447 | 18,447 | 0 |
| FTE | 0 | 0 | 0 | 0 |

Introduction

The Work Opportunity Tax Credit (WOTC) program, which is the successor of the Targeted Jobs Tax Credit program, was created by the Small Business Job Protection Act of 1996 (Pub. L.104-188). It established a Federal tax incentive to businesses for hiring new individuals from target groups with consistently significant barriers to employment. Subsequent authorizing legislation has changed the eligible target groups over time. The target groups under WOTC included: Temporary Assistance to Needy Families recipients, Supplemental Nutrition Assistance Program (food stamps) recipients, designated community residents, summer youth employees, vocational rehabilitation referrals, ex-felons, Supplemental Security Income recipients, long-term unemployment recipients, and veterans.

WOTC helps disadvantaged workers gain employment by providing businesses with over \$1,000,000,000 in tax credits each year for hiring individuals from certain targeted groups. The program enables the targeted individuals to gradually move from economic dependency to self-sufficiency as they earn a steady income and become contributing taxpayers.

The WOTC program is jointly administered by the Departments of Treasury and Labor. The Treasury Department's Internal Revenue Service (IRS) is responsible for overseeing the tax credits claimed by employers. The Department of Labor (DOL) receives funds to administer the WOTC certification process. Funds provided to DOL for WOTC are allocated to State Workforce Agencies (SWA) to support processing WOTC applications submitted by employers. SWAs certify that the individual hired by the employer is a member of one of the WOTC target groups. Employers are required to receive this certification from SWAs prior to claiming the tax credit with the IRS.

Five-Year Program Category History

| <u>Fiscal Year</u> | <u>Funding</u> (Dollars in Thousands) | <u>FTE</u> |
|---------------------------|---|-------------------|
| 2013 | \$17,350 | 0 |
| 2014 | \$18,485 | 0 |
| 2015 | \$18,485 | 0 |
| 2016 | \$18,485 | 0 |
| 2017 | \$0 | 0 |

NOTE: A full-year 2017 appropriation for this account was not enacted at the time the budget was prepared.

EMPLOYMENT SERVICE NATIONAL ACTIVITIES - WOTC

Funding Mechanism

WOTC funding historically has been distributed to SWAs using a three-part funding formula based on: 1) civilian labor force, 2) WOTC workload, and 3) a percentage of the welfare population.

FY 2018

To support states' processing of WOTC certification requests, the Department requests \$18,447,000 for FY 2018. The Department helps individuals in the target groups covered by WOTC enter the job market and improve their earnings by providing funding to SWAs to administer WOTC. SWAs use the funding to accept applications submitted by employers, either denying ineligible applications or certifying applications that meet all requirements.

It is the responsibility of SWAs to ensure the timely processing of applications. The operational management of the WOTC certification process includes: 1) establishing processes and systems for receiving applications from employers; 2) determining whether the applications received were filed within required timelines; 3) verifying that the employee hired meets eligibility for one of the WOTC target groups; and 4) issuing to employers the state's final determination (i.e., a certification or a denial). SWAs can also use these funds to move towards automation of the application process.

The Department, through the national office and regional offices, contributes to efforts to process WOTC applications more efficiently by providing on-going technical assistance to SWAs and the employer community. Strong partnerships with the IRS and other external and internal partners allow the Department to provide states with legal and programmatic clarifications that help improve the accuracy of their processing systems.

FY 2017

Figures shown for FY 2017 reflect the annualized Continuing Resolution level, as a full-year appropriation had not been enacted at the time the budget was produced. The Department will provide an Operating Plan after a full-year appropriation bill is enacted.

EMPLOYMENT SERVICE NATIONAL ACTIVITIES - WOTC

CHANGES IN FY 2018

(Dollars in Thousands)

Activity Changes

Built-In

To Provide For:

Costs of pay adjustments \$0

Grants, subsidies, and contributions 0

Investment and Loans 0

Built-Ins Subtotal \$0

Net Program \$0

Direct FTE 0

Estimate FTE

Base \$18,447

Program Increase \$0

Program Decrease \$0

EMPLOYMENT SERVICE NATIONAL ACTIVITIES - TECHNICAL ASSISTANCE AND TRAINING

| BUDGET AUTHORITY BEFORE THE COMMITTEE | | | | |
|--|----------------------------|---------------------------------------|----------------------------|---|
| (Dollars in Thousands) | | | | |
| | FY 2016 Enacted | FY 2017 Full Year C.R. | FY 2018 Request | Diff. FY18 Request / FY17 Full Year C.R. |
| Activity Appropriation | 1,333 | 1,333 | 1,333 | 0 |
| FTE | 0 | 0 | 0 | 0 |

Introduction

The Employment Service National Activities help the public workforce system achieve the Department’s goals of preparing workers for good jobs and ensuring workers have the skills and knowledge that prepare them to succeed in a knowledge-based economy. The appropriation provides funding to support technical assistance (TA) and training activities that help to ensure that public workforce system front line staff and leaders have the tools and information necessary to design and implement high quality employment and training services.

The ability of the public workforce system to achieve its performance goals is directly related to the program design and service delivery strategies implemented at the state and local levels. Under the current laws, regulations, and Federal policy guidance, states have a great deal of flexibility in program design and service delivery. The Department helps inform good program design and service delivery through the provision of TA.

The funding will support state’s continuous improvement to implement an integrated and effective American Job Center delivery system through two main strategies:

- 1) Identifying, evaluating, and encouraging adoption of effective workforce practices that lead to positive employment outcomes for job seekers and unemployed individuals and that meet the workforce challenges of employers; and
- 2) Delivering TA to grantees and the public workforce system, including online and in-person resources and information to improve grantee support.

The Workforce Innovation and Opportunity Act (WIOA) requires the Department to provide comprehensive TA to grantees. For instance, WIOA requires the Department to provide TA to any grantee that fails a performance measure. WIOA also requires that the Department maintain the capacity to provide training and TA to the public workforce system and its staff for activities, such as integrated intake and case management systems, which are important to the integration of the ES functions into American Job Centers.

EMPLOYMENT SERVICE NATIONAL ACTIVITIES - TECHNICAL ASSISTANCE AND TRAINING

Five-Year Program Category History

| <u>Fiscal Year</u> | <u>Funding</u> (Dollars in Thousands) | <u>FTE</u> |
|--------------------|--|------------|
| 2013 | \$2,469 | 0 |
| 2014 | \$1,333 | 0 |
| 2015 | \$1,333 | 0 |
| 2016 | \$1,333 | 0 |
| 2017 | \$0 | 0 |

NOTE: A full-year 2017 appropriation for this account was not enacted at the time the budget was prepared.

Funding Mechanism

Funding for Employment Service Technical Assistance and Training activities is provided through grants or contracts.

FY 2018

The Department requests \$1,333,000 for Employment Service TA activities in FY 2018. Resources will be used to support online and in-person assistance for states to improve services to business customers, and increase employment opportunities for all populations. TA will be delivered in-person and online and focused on strategies that research indicates are promising or proven.

FY 2017

Figures shown for FY 2017 reflect the annualized Continuing Resolution level, as a full-year appropriation had not been enacted at the time the budget was produced. The Department will provide an Operating Plan after a full-year appropriation bill is enacted.

**EMPLOYMENT SERVICE NATIONAL ACTIVITIES -
TECHNICAL ASSISTANCE AND TRAINING**

CHANGES IN FY 2018
(Dollars in Thousands)

Activity Changes

Built-In

To Provide For:

| | |
|--------------------------------------|-----|
| Grants, subsidies, and contributions | \$0 |
|--------------------------------------|-----|

| | |
|---------------------------|------------|
| Built-Ins Subtotal | \$0 |
|---------------------------|------------|

| | |
|--------------------|------------|
| Net Program | \$0 |
|--------------------|------------|

| | |
|-------------------|----------|
| Direct FTE | 0 |
|-------------------|----------|

| | Estimate | FTE |
|-------------------------|----------------|-----|
| Base | \$1,333 | |
| Program Increase | \$0 | |
| Program Decrease | \$0 | |

FOREIGN LABOR CERTIFICATION

| BUDGET AUTHORITY BEFORE THE COMMITTEE | | | | |
|--|----------------------------|---------------------------------------|----------------------------|---|
| (Dollars in Thousands) | | | | |
| | FY 2016 Enacted | FY 2017 Full Year C.R. | FY 2018 Request | Diff. FY18 Request / FY17 Full Year C.R. |
| Activity Appropriation | 62,310 | 62,192 | 62,192 | 0 |
| FTE | 162 | 159 | 156 | -3 |

Note: FY 2016 reflects actual FTE. Authorized FTE for FY 2016 was 182.

Introduction

The Immigration and Nationality Act (INA) assigns certain responsibilities to the Secretary of Labor (Secretary) for employment-based immigration programs that require a labor certification. These statutory responsibilities include determining whether there are able, willing, and qualified U.S. workers available for the job, and whether there would be any adverse impact on similarly-employed U.S. workers should a labor certification be granted. The Secretary has delegated the processing of the labor certification applications for these programs to the Employment and Training Administration’s (ETA) Office of Foreign Labor Certification (OFLC).

The determination of labor certification applications administered by the OFLC include the immigrant Permanent Labor Certification Program (PERM) or “Green Card”; nonimmigrant (temporary worker) H-1B and H-1B1 (Chile and Singapore) Specialty Occupations Programs; E-3 Specialty Worker Program (Australia); H-2A Temporary Agricultural Program; H-2B Temporary Non-agricultural Program; D-1 Longshore Crewmember Program; and the determination of Prevailing Wage rates for a number of these programs.

The OFLC is comprised of a National Office and three National Processing Centers. The OFLC National Office is responsible for policy and regulatory activities, program management, administration and finance, information technology, and other management-related activities. The OFLC administers its labor certification application and prevailing wage application determination responsibilities through its three National Processing Centers. The Chicago center primarily adjudicates temporary nonimmigrant applications. The Atlanta center primarily adjudicates immigrant PERM applications. The Prevailing Wage Center in Washington, D.C. provides prevailing wage determinations.

Foreign labor certification programs are intended to protect the wages and working conditions of both U.S. workers and foreign nationals working in the United States. Following labor certification and the entrance of immigrant or nonimmigrant workers into the United States, the Department’s Wage and Hour Division, Office of the Solicitor of Labor and the Department’s Office of the Inspector General have jurisdiction to enforce the terms and conditions of employment and address certain suspected labor and workplace violations for foreign workers or impacted U.S. workers.

FOREIGN LABOR CERTIFICATION

Five-Year Budget Activity History¹

| <u>Fiscal Year</u> | <u>Funding</u> (Dollars in Thousands) | <u>FTE</u> |
|--------------------|--|------------|
| 2013 | \$61,972 | 181 |
| 2014 | \$61,973 | 188 |
| 2015 | \$62,310 | 177 |
| 2016 | \$62,310 | 182 |
| 2017 | \$0 | 0 |

NOTE: A full-year 2017 appropriation for this account was not enacted at the time the budget was prepared.

Funding Mechanism

Congress appropriates funding for OFLC Federal Administration and related State Grants for foreign labor certification activities through the State Unemployment Insurance and Employment Service Operations (SUIESO) account. The Federal Administration activity funds federal program functions, including salaries and expenses, IT development and maintenance, contract services to support case adjudications, rent, and overhead costs. The State Grants activity funds services provided by State Workforce Agencies in support of the foreign labor certification program, including the review and placement of job orders for recruitment of U.S. workers, management of housing inspections for agricultural workers, and the administration of prevailing wage and practice surveys. The OFLC distributes this grant funding annually in accordance with approved state plans.

In addition to Congressional appropriations, OFLC receives five percent of the revenue from an employer-funded processing fee for H-1B applications collected by the Department of Homeland Security (DHS). These resources support H-1B and PERM application processing activities and are separate from the H-1B funding allocated to the Department for U.S. job-training programs.

OFLC received 46 percent more applications in FY 2016 than in FY 2012. This increased case load has strained the processing system and resulted in processing delays and application backlogs, particularly in the H-2B, permanent employment visa and prevailing wage determination programs. These delays impact the hiring of needed workers by U.S. employers. In order to better protect U.S. workers and improve the efficiency and quality of application processing, the Budget seeks authorization to charge cost-based fees for applications filed under the Permanent, H-2B, and prevailing wage determination programs. The Department also seeks authority to adjust the amount and retain the fees currently deposited in the U.S. Treasury for applications filed under the H-2A temporary labor certification program. The fee levels would be set via regulation to ensure that the amounts are subject to review.

These fees would offset Federal and state costs for administering the OFLC programs and, once fully implemented, could eliminate the need for appropriations for these purposes.

¹ Foreign Labor Certification Federal Administration funding and FTE for FY 2014 and FY 2015 have been adjusted for the indirect cost realignment. The adjustment for FTE in FY 2014 and FY 2015 was made to the authorized FTE level.

FOREIGN LABOR CERTIFICATION

The enactment of a market-based funding structure would create a system whereby resources are calibrated to the demand for foreign labor certification services.

A fee-based system would also impose the costs of processing on the employers who directly benefit from them. The OFLC's current appropriations are funded from taxes collected under the Federal Unemployment Tax Act - which are paid by millions of employers, the vast majority of which do not apply for foreign labor certifications. Fees charged directly to the programs' users would be more equitable.

There is also ample precedent for application fees in immigration and temporary guest worker programs. As referenced above, the Department of Labor currently uses five percent of the proceeds from an H-1B fee collected by DHS. Because of this adequate funding mechanism, there have been no delays in the processing of H-1B labor certification applications despite a 56 percent increase in applications when comparing FY 2016 to FY 2012. In addition, a processing fee for the H-2A program is already authorized, but under current law the Department does not have the authority to adjust the amount or retain those fees to support processing activities. Other Federal agencies that perform similar immigration-related services are already substantially or entirely funded from user fee revenue. For example, the U.S. Citizenship and Immigration Service (USCIS) has been funded almost entirely by application fees since 1988, including the post-labor certification activities for the programs associated with OFLC. Approximately 94 percent of USCIS' FY 2015 budget authority was derived from user fees. Employing a similar model for labor certification applications would reduce Congressional appropriations and create a resource structure responsive to market conditions.

FOREIGN LABOR CERTIFICATION

| DETAILED WORKLOAD AND PERFORMANCE | | | | | |
|--|--|----------------------------|---------------|---------------------------------------|----------------------------|
| | | FY 2016 Enacted | | FY 2017 Full Year C.R. | FY 2018 Request |
| | | Target | Result | Target | Target |
| Foreign Labor Certification | | | | | |
| | PERM Carry-In, New Applications | 153,900 | 156,430 | 133,100[p] | 136,600[p] |
| | PERM New Applications Filed | 95,000 | 97,504 | 106,400[p] | 116,000[p] |
| | PERM Applications Processed | 121,900 | 126,143 | 112,500 | 100,000 |
| | PERM Applications Remaining | 37,600 | 26,699 | 20,500 | 36,400 |
| ETA-FLC-01 | Average Number of Days to Resolve PERM Applications NOT Subject to Integrity Review (Analyst Review) | 225 | 140 | 110-185 | 110-185 |
| ETA-FLC-02 | Average Number of Days to Resolve PERM Applications Subject to Integrity Review (Audit) | 350 | 332 | 230-305 | 230-305 |
| | H-1B New Applications Filed | 688,100 | 618,266 | 696,800[p] | 790,300[p] |
| | H-1B Applications Processed | 711,600 | 647,852 | 728,300 | 826,000 |
| | H-1B Applications Remaining | 6,600 | 4,921 | 5,300 | 4,900 |
| ETA-FLC-03 | Percent of Employer Applications for H-1B Resolved in 7 Business Days | 100.0% | 100.0% | 100.0% | 100.0% |
| | H-2A New Applications Filed | 8,400 | 8,801 | 9,900[p] | 11,200[p] |
| | H-2A Applications Processed | 8,400 | 8,684 | 9,700 | 11,700 |
| | H-2A Applications Remaining | 300 | 309 | 500 | 20 |
| ETA-FLC-04 | Percent of Complete H-2A Employer Applications Resolved within 30 Days Before the Date of Need | 95.0% | 95.0% | 95.0% | 95.0% |

FOREIGN LABOR CERTIFICATION

| DETAILED WORKLOAD AND PERFORMANCE | | | | | |
|--|--|----------------------------|---------------|---------------------------------------|----------------------------|
| | | FY 2016 Enacted | | FY 2017 Full Year C.R. | FY 2018 Request |
| | | Target | Result | Target | Target |
| | H-2B New Applications Filed | 7,900 | 7,167 | 8,200[p] | 9,400[p] |
| | H-2B Applications Processed | 7,500 | 7,209 | 8,000 | 9,900 |
| | H-2B Applications Remaining | 300 | 314 | 500 | 10 |
| ETA-FLC-05 | Percent of H-2B Applications Resolved within 30 Days of requested date of need | [base] | 2.8% | 50.0% | 60.0% |

Legend: (r) Revised (e) Estimate (base) Baseline -- Not Applicable TBD - To Be Determined [p] - Projection

FOREIGN LABOR CERTIFICATION

Workload and Performance Summary

The Department experienced a five percent increase in overall OFLC application levels from FY 2015 to FY 2016. Recent filing data suggests a further increase in application volumes in FY 2017 and FY 2018. As application volumes continue to increase, OFLC is implementing high-priority strategies designed to increase processing efficiency.

The backlog of PERM applications in the “pending” queue decreased by 51 percent from FY 2015 to FY 2016. The decline in the queue of pending PERM cases is expected to continue in FY 2017 due to OFLC’s sustained efforts to reduce the backlog and the availability of an additional \$13,000,000 in resources during FY 2016 and FY 2017 for backlog reduction efforts. However, OFLC expects that, despite focused effort, it may not be possible to sustain these reductions once those resources expire if annual PERM application volumes continue to increase.

In the H-2A Program, OFLC will continue to seek to resolve all employer H-2A applications meeting the criteria for certification within 30 calendar days from the date of need. OFLC will similarly implement efficiency measures seeking to resolve all employer H-2B applications by 30 calendar days prior to the date of need.

OFLC’s National Processing Center Interoperability Plan positively impacted case adjudications in FY 2017 through cross-training and cross-functional operations that better aligned OFLC’s existing resources with seasonal filing patterns. This initiative is expected to continue to produce positive results in future years. A funding transfer authorized in the Consolidated Appropriations Act of 2017 will also help support H-2A and H-2B case-processing in FYs 2017 and 2018. These internal efficiency initiatives and additional resources will reduce, but not eliminate, the risk of delays during peak filing seasons. The elimination of temporary H-2B processing backlogs is made more difficult by the fact that the bulk of H-2B applications are filed within a few days of the initial date for submissions to “beat” the semi-annual H-2B filing cap of 33,000. While that cap has been increased for FY 2017, it is not clear whether Congress and the Administration will approve raising the total number of H-2B visas that will be granted by DHS in FY 2018.

Through its annual operating plans, OFLC regularly monitors the rate at which applications are processed – continually assessing strategies in relation to programmatic outcomes; mitigating adverse impacts on processing center operations; and ensuring that high-priority strategies are implemented and managed with integrity and in compliance with applicable statutes, regulations, and standard operating procedures. All production-related data is extracted from electronic case management systems and aggregated using standard algorithms to ensure the consistent measurement of results.

FOREIGN LABOR CERTIFICATION

| BUDGET ACTIVITY BY OBJECT CLASS | | | | | |
|--|--|----------------------------|---------------------------------------|----------------------------|---|
| (Dollars in Thousands) | | | | | |
| | | FY 2016 Enacted | FY 2017 Full Year C.R. | FY 2018 Request | Diff. FY18 Request / FY17 Full Year C.R. |
| 11.1 | Full-time permanent | 17,095 | 17,043 | 17,029 | -14 |
| 11.3 | Other than full-time permanent | 0 | 0 | 0 | 0 |
| 11.5 | Other personnel compensation | 180 | 180 | 180 | 0 |
| 11.9 | Total personnel compensation | 17,275 | 17,223 | 17,209 | -14 |
| 12.1 | Civilian personnel benefits | 5,336 | 5,306 | 5,320 | 14 |
| 13.0 | Benefits for former personnel | 2 | 2 | 2 | 0 |
| 21.0 | Travel and transportation of persons | 85 | 80 | 80 | 0 |
| 22.0 | Transportation of things | 0 | 0 | 0 | 0 |
| 23.1 | Rental payments to GSA | 2,110 | 2,110 | 2,110 | 0 |
| 23.2 | Rental payments to others | 0 | 0 | 0 | 0 |
| 23.3 | Communications, utilities, and miscellaneous charges | 335 | 335 | 335 | 0 |
| 24.0 | Printing and reproduction | 5 | 5 | 5 | 0 |
| 25.1 | Advisory and assistance services | 12,852 | 12,852 | 12,852 | 0 |
| 25.2 | Other services from non-Federal sources | 373 | 370 | 370 | 0 |
| 25.3 | Other goods and services from Federal sources 1/ | 5,772 | 5,772 | 5,772 | 0 |
| 25.4 | Operation and maintenance of facilities | 0 | 0 | 0 | 0 |
| 25.5 | Research and development contracts | 0 | 0 | 0 | 0 |
| 25.7 | Operation and maintenance of equipment | 3,473 | 3,472 | 3,472 | 0 |
| 26.0 | Supplies and materials | 150 | 150 | 150 | 0 |
| 31.0 | Equipment | 25 | 25 | 25 | 0 |
| 41.0 | Grants, subsidies, and contributions | 14,282 | 14,255 | 14,255 | 0 |
| 42.0 | Insurance claims and indemnities | 235 | 235 | 235 | 0 |
| | Total | 62,310 | 62,192 | 62,192 | 0 |
| | | | | | |
| | 1/Other goods and services from Federal sources | | | | |
| | Working Capital Fund | 5,330 | 5,330 | 5,330 | 0 |
| | DHS Services | 122 | 122 | 122 | 0 |
| | Census Services | 320 | 320 | 320 | 0 |

FOREIGN LABOR CERTIFICATION

CHANGES IN FY 2018

(Dollars in Thousands)

Activity Changes

Built-In

To Provide For:

| | |
|--|-------|
| Costs of pay adjustments | \$297 |
| Personnel benefits | 114 |
| Two days less of Pay | 0 |
| Benefits for former personnel | 0 |
| Travel and transportation of persons | 0 |
| Transportation of things | 0 |
| Rental payments to GSA | 0 |
| Rental payments to others | 0 |
| Communications, utilities, and miscellaneous charges | 0 |
| Printing and reproduction | 0 |
| Advisory and assistance services | 0 |
| Other services from non-Federal sources | 0 |
| Working Capital Fund | 0 |
| Other Federal sources (Census Bureau) | 0 |
| Other Federal sources (DHS Charges) | 0 |
| Other goods and services from Federal sources | 0 |
| Research & Development Contracts | 0 |
| Operation and maintenance of facilities | 0 |
| Operation and maintenance of equipment | 0 |
| Supplies and materials | 0 |
| Equipment | 0 |
| Grants, subsidies, and contributions | 0 |
| Insurance claims and indemnities | 0 |

Built-Ins Subtotal **\$411**

Net Program **-\$411**

Direct FTE **-3**

| | Estimate | FTE |
|-------------------------|-----------------|------------|
| Base | \$62,603 | 159 |
| Program Increase | \$0 | 0 |
| Program Decrease | -\$411 | -3 |

FEDERAL ADMINISTRATION

| BUDGET AUTHORITY BEFORE THE COMMITTEE | | | | |
|--|----------------------------|---------------------------------------|----------------------------|---|
| (Dollars in Thousands) | | | | |
| | FY 2016 Enacted | FY 2017 Full Year C.R. | FY 2018 Request | Diff. FY18 Request / FY17 Full Year C.R. |
| Activity Appropriation | 48,028 | 47,937 | 47,937 | 0 |
| FTE | 162 | 159 | 156 | -3 |

Note: FY 2016 reflects actual FTE. Authorized FTE for FY 2016 was 182.

Introduction

The Federal Administration appropriation funds most of the case-adjudication costs of the immigration programs overseen by the OFLC. The H-1B Specialty Occupations Program is the exception, which is supported by application fees. OFLC administrative costs include the Federal and contractor staff utilized to process employer-filed applications, the information technology (IT) systems required to process applications across multiple temporary and permanent programs, rent, supplies, equipment, and agency indirect costs, which include essential support for human resources, financial and administrative management, as well as grants and contract management.

Five-Year Budget Activity Component History

| <u>Fiscal Year</u> | <u>Funding</u> (Dollars in Thousands) | <u>FTE</u> |
|---------------------------|---|-------------------|
| 2013 | \$47,690 | 181 |
| 2014 | \$47,691 | 188 |
| 2015 | \$48,028 | 177 |
| 2016 | \$48,028 | 182 |
| 2017 | \$0 | 0 |

NOTE: A full-year 2017 appropriation for this account was not enacted at the time the budget was prepared.

FY 2018

In FY 2018, the Department requests \$47,937,000 and 156 FTE for the Federal Administration of the Foreign Labor Certification programs. These resources will be devoted to the operation, management, and oversight of the OFLC. OFLC has experienced a dramatic rise in application volumes in recent years. FY 2016 application levels had increased by 46 percent when compared to FY 2012 – a trend that is expected to continue in FYs 2017 and 2018. In FY 2018, the Department is projected to receive 116,000 PERM applications, 790,300 H-1B applications, 11,200 H-2A applications, 9,400 H-2B applications, and 178,000 Prevailing Wage determination requests – a 24 percent increase from the total application volume received in FY 2016. The Department will continue to implement its internal operating strategy of aligning funding, facilities, staffing, and technological resources to provide timely and high-quality adjudication services in FY 2018. As noted earlier, the Budget also proposes legislation to permanently establish and retain fees to cover the costs of operating its foreign labor certification

FEDERAL ADMINISTRATION

programs. Once fully implemented, these fees would eliminate the need for discretionary appropriations for these activities.

FY 2017

Figures shown for FY 2017 reflect the annualized Continuing Resolution level, as a full-year appropriation had not been enacted at the time the budget was produced. The Department will provide an Operating Plan after a full-year appropriation bill is enacted.

FEDERAL ADMINISTRATION

| BUDGET ACTIVITY COMPONENT BY OBJECT CLASS | | | | | |
|--|--|----------------------------|---------------------------------------|----------------------------|---|
| (Dollars in Thousands) | | | | | |
| | | FY 2016 Enacted | FY 2017 Full Year C.R. | FY 2018 Request | Diff. FY18 Request / FY17 Full Year C.R. |
| 11.1 | Full-time permanent | 17,095 | 17,043 | 17,029 | -14 |
| 11.3 | Other than full-time permanent | 0 | 0 | 0 | 0 |
| 11.5 | Other personnel compensation | 180 | 180 | 180 | 0 |
| 11.9 | Total personnel compensation | 17,275 | 17,223 | 17,209 | -14 |
| 12.1 | Civilian personnel benefits | 5,336 | 5,306 | 5,320 | 14 |
| 13.0 | Benefits for former personnel | 2 | 2 | 2 | 0 |
| 21.0 | Travel and transportation of persons | 85 | 80 | 80 | 0 |
| 22.0 | Transportation of things | 0 | 0 | 0 | 0 |
| 23.1 | Rental payments to GSA | 2,110 | 2,110 | 2,110 | 0 |
| 23.2 | Rental payments to others | 0 | 0 | 0 | 0 |
| 23.3 | Communications, utilities, and miscellaneous charges | 335 | 335 | 335 | 0 |
| 24.0 | Printing and reproduction | 5 | 5 | 5 | 0 |
| 25.1 | Advisory and assistance services | 12,852 | 12,852 | 12,852 | 0 |
| 25.2 | Other services from non-Federal sources | 373 | 370 | 370 | 0 |
| 25.3 | Other goods and services from Federal sources 1/ | 5,772 | 5,772 | 5,772 | 0 |
| 25.4 | Operation and maintenance of facilities | 0 | 0 | 0 | 0 |
| 25.5 | Research and development contracts | 0 | 0 | 0 | 0 |
| 25.7 | Operation and maintenance of equipment | 3,473 | 3,472 | 3,472 | 0 |
| 26.0 | Supplies and materials | 150 | 150 | 150 | 0 |
| 31.0 | Equipment | 25 | 25 | 25 | 0 |
| 41.0 | Grants, subsidies, and contributions | 0 | 0 | 0 | 0 |
| 42.0 | Insurance claims and indemnities | 235 | 235 | 235 | 0 |
| | Total | 48,028 | 47,937 | 47,937 | 0 |
| | | | | | |
| | 1/Other goods and services from Federal sources | | | | |
| | Working Capital Fund | 5,330 | 5,330 | 5,330 | 0 |
| | DHS Services | 122 | 122 | 122 | 0 |
| | Census Services | 320 | 320 | 320 | 0 |

FEDERAL ADMINISTRATION

CHANGES IN FY 2018

(Dollars in Thousands)

Activity Changes

Built-In

To Provide For:

| | |
|--|-------|
| Costs of pay adjustments | \$297 |
| Personnel benefits | 114 |
| Two days less of Pay | 0 |
| Benefits for former personnel | 0 |
| Travel and transportation of persons | 0 |
| Transportation of things | 0 |
| Rental payments to GSA | 0 |
| Rental payments to others | 0 |
| Communications, utilities, and miscellaneous charges | 0 |
| Printing and reproduction | 0 |
| Advisory and assistance services | 0 |
| Other services from non-Federal sources | 0 |
| Working Capital Fund | 0 |
| Other Federal sources (Census Bureau) | 0 |
| Other Federal sources (DHS Charges) | 0 |
| Other goods and services from Federal sources | 0 |
| Research & Development Contracts | 0 |
| Operation and maintenance of facilities | 0 |
| Operation and maintenance of equipment | 0 |
| Supplies and materials | 0 |
| Equipment | 0 |
| Grants, subsidies, and contributions | 0 |
| Insurance claims and indemnities | 0 |

Built-Ins Subtotal **\$411**

Net Program **-\$411**

Direct FTE **-3**

| | Estimate | FTE |
|-------------------------|-----------------|------------|
| Base | \$48,348 | 159 |
| Program Increase | \$0 | 0 |
| Program Decrease | -\$411 | -3 |

STATE GRANTS

| BUDGET AUTHORITY BEFORE THE COMMITTEE | | | | |
|--|----------------------------|---------------------------------------|----------------------------|---|
| (Dollars in Thousands) | | | | |
| | FY 2016 Enacted | FY 2017 Full Year C.R. | FY 2018 Request | Diff. FY18 Request / FY17 Full Year C.R. |
| Activity Appropriation | 14,282 | 14,255 | 14,255 | 0 |
| FTE | 0 | 0 | 0 | 0 |

Introduction

Under the State Grant activity, the DOL provides annual grants to State Workforce Agencies (SWAs) in 55 states and U.S. territories for required employment-based immigration activities in support of the foreign labor certification program. These activities include, but are not limited to, posting and circulation of inter- and intra-state job orders and the provision of other assistance to employers in the effective recruitment of U.S. workers, conducting safety inspections of employer-provided housing for workers in the H-2A Temporary Agricultural Program, and performing the prevailing practice and wage surveys used to set the wages and standards for a number of occupations within their state.

In accordance with the requirements of their foreign labor certification grant agreements, SWAs submit annual work plans to the OFLC to establish continued eligibility for the grant. These work plans describe the specific activities and workload expectations of each SWA in the upcoming year.

Five-Year Budget Activity Component History

| <u>Fiscal Year</u> | <u>Funding</u> (Dollars in Thousands) | <u>FTE</u> |
|---------------------------|---|-------------------|
| 2013 | \$14,282 | 0 |
| 2014 | \$14,282 | 0 |
| 2015 | \$14,282 | 0 |
| 2016 | \$14,282 | 0 |
| 2017 | \$0 | 0 |

NOTE: A full-year 2017 appropriation for this account was not enacted at the time the budget was prepared.

FY 2018

The Department requests \$14,255,000 for state foreign labor certification activities in FY 2018. In FY 2018, SWAs are expected to continue to conduct housing inspections for temporary agricultural workers employed under H-2A visas, post job orders to recruit American workers for temporary and permanent positions, and direct prevailing practice and wage surveys. The increased demand for labor certifications experienced in recent years is projected to continue in FY 2018, creating corresponding increases in SWA workloads that may increase delays. States' responsibilities in support of the H-2B temporary non-agricultural visa program have increased under the new H-2B regulations issued in FY 2015 – which may affect SWAs' ability to conduct

STATE GRANTS

timely H-2A housing inspections, post job orders, and perform prevailing wage and practice surveys.

As noted earlier, the Budget also proposes legislation to establish and retain fees to cover the costs of operating its foreign labor certification programs. Once fully implemented, these fees would eliminate the need for discretionary appropriations for these activities.

FY 2017

Figures shown for FY 2017 reflect the annualized Continuing Resolution level, as a full-year appropriation had not been enacted at the time the budget was produced. The Department will provide an Operating Plan after a full-year appropriation bill is enacted.

STATE GRANTS

| BUDGET ACTIVITY COMPONENT BY OBJECT CLASS | | | | | |
|--|--------------------------------------|----------------------------|---------------------------------------|----------------------------|---|
| (Dollars in Thousands) | | | | | |
| | | FY 2016 Enacted | FY 2017 Full Year C.R. | FY 2018 Request | Diff. FY18 Request / FY17 Full Year C.R. |
| 11.1 | Full-time permanent | 0 | 0 | 0 | 0 |
| 11.3 | Other than full-time permanent | 0 | 0 | 0 | 0 |
| 11.5 | Other personnel compensation | 0 | 0 | 0 | 0 |
| 11.9 | Total personnel compensation | 0 | 0 | 0 | 0 |
| 12.1 | Civilian personnel benefits | 0 | 0 | 0 | 0 |
| 41.0 | Grants, subsidies, and contributions | 14,282 | 14,255 | 14,255 | 0 |
| | Total | 14,282 | 14,255 | 14,255 | 0 |
| | | | | | |

STATE GRANTS

CHANGES IN FY 2018

(Dollars in Thousands)

Activity Changes

Built-In

To Provide For:

Costs of pay adjustments \$0

Two days less of Pay 0

Grants, subsidies, and contributions 0

Built-Ins Subtotal \$0

Net Program \$0

Direct FTE 0

| | Estimate | FTE |
|-------------------------|-----------------|----------|
| Base | \$14,255 | 0 |
| Program Increase | \$0 | 0 |
| Program Decrease | \$0 | 0 |

WORKFORCE INFORMATION/ELECTRONIC TOOLS/SYSTEM BUILDING

| BUDGET AUTHORITY BEFORE THE COMMITTEE | | | | |
|--|----------------------------|---------------------------------------|----------------------------|---|
| (Dollars in Thousands) | | | | |
| | FY 2016 Enacted | FY 2017 Full Year C.R. | FY 2018 Request | Diff. FY18 Request / FY17 Full Year C.R. |
| Activity Appropriation | 67,653 | 67,524 | 67,524 | 0 |
| FTE | 0 | 0 | 0 | 0 |

Introduction

The Workforce Information/Electronic Tools/System Building line item provides workforce information, online career tools, performance accountability systems, and builds the capacity of the workforce system to improve employment outcomes of the American Job Center system. The Department invests Workforce Information/Electronic Tools/System Building funds through the following four strategies:

- 1) **Collect and communicate workforce information.** Under the Workforce Innovation and Opportunity Act (WIOA), collecting and communicating workforce information informs strategic and career planning. This activity includes workforce information grants to states, including the production of state and local employment projections. States collect data and produce economic and workforce analyses communicating changing labor market conditions, including shifts in what jobs and skills are in demand. This data informs individuals' job search, and education and training planning, businesses' location and human resources decisions, as well as local decision-makers' policies and investments. Federal, state, and local workforce system program administrators rely on this information for strategic planning, targeting participants, and selecting training courses and providers.

- 2) **Deliver Web-based information and interactive career tools.** DOL's online career tools are visited more than 50 million times annually, including CareerOneStop, O*NET Online, the mySkills myFuture skills transferability tool, and the My Next Move and the My Next Move for Veterans career exploration sites. Virtual services provided through the online tools expand the reach of the American Job Center network and staff, and also enable self-service use by customers around the clock. Data show that in 2016, the monthly average of the number of unemployed job seekers using public employment agencies was 1,082,000.¹

The services provided via these tools are:

- Employment and career information;
- Education and training information;
- A skill transferability tool that enables previously employed job seekers to match their occupational skills and experiences with the skills needed in other occupations;

¹ Unpublished BLS data on job search methods from the *Current Population Survey*

WORKFORCE INFORMATION/ELECTRONIC TOOLS/SYSTEM BUILDING

- Information about other assistance to individuals (e.g., unemployment insurance and social, family, housing and emergency services);
- Employer and economic development tools; and
- Tools specifically tailored for veterans and transitioning military service members.

3) **Operate a performance-driven system.** The performance systems supported by these funds enable the Department to advance transparency and accountability in its employment and training programs, and inform policy and program improvements. These resources support performance reporting systems; systems used by states to ensure reported performance results are accurate and consistent across all states; the Wage Record Interchange System which uses administrative wage records collected through the UI system to report reliable performance outcome data for Federally-funded employment and training program participants; and performance analyses to promote continuous improvement in the workforce system.

4) **Expand the capacity of the workforce system, including capacity to serve persons with disabilities.** The Department will no longer fund the Disability Employment Initiative. Rather, the Budget proposes \$9,800,000, along with \$9,000,000 from the Office of Disability Employment Policy (ODEP), to launch a new demonstration project that will be jointly funded with the Social Security Administration and implemented in collaboration with ODEP to award competitive grants to States. The goal of this effort is to test the potential of certain interventions to (1) increase labor force participation of people with disabilities, and (2) prevent permanent labor force detachment resulting from temporary or permanent illness or injury. Millions of American workers leave the workforce each year after experiencing an injury or illness. Many injured workers could remain in their jobs or the workforce if they received timely, effective help. Early Return to Work programs succeed by returning injured workers to productivity as soon as medically possible during their recovery process. Modeled after a successful early intervention program, Washington State's workers compensation Centers of Occupational Health and Education (COHEs), this model demonstration project will test and evaluate the viability and scalability of the COHE program as a strategy to return recently injured, ill, or disabled employees to work. The demonstration will test the effects of implementing key features of the COHE model in other states or municipalities and/or for a broader population beyond workers' compensation. Some of the key features include care and service coordination, population screening and monitoring, increased access and targeted vocational rehabilitation and work supports, workplace accommodations, and technical assistance to healthcare providers and employers. Evaluations of COHE have found that participating workers are nearly 20% more likely to be working a year after the initial work absence. The impacts were larger for certain musculoskeletal conditions, such as low back injuries.

ETA also supports states, local areas, and American Job Center partner programs implementing WIOA through targeted technical assistance, largely delivered online through the WorkforceGPS platform.

WORKFORCE INFORMATION/ELECTRONIC TOOLS/SYSTEM BUILDING

Five-Year Budget Activity History

| <u>Fiscal Year</u> | <u>Funding</u> (Dollars in Thousands) | <u>FTE</u> |
|--------------------|--|------------|
| 2013 | \$60,152 | 0 |
| 2014 | \$60,153 | 0 |
| 2015 | \$60,153 | 0 |
| 2016 | \$67,653 | 0 |
| 2017 | \$0 | 0 |

NOTE: A full-year 2017 appropriation for this account was not enacted at the time the budget was prepared.

Funding Mechanism

The workforce information grants are funded by an administrative formula to all states and a portion for the Virgin Islands and Guam, with 40 percent distributed equally to all states, and 60 percent distributed based on each state's share of the Civilian Labor Force. The online career tools and other investments in workforce information core products and tools are managed through grants to certain states. The Department awards contracts to implement elements of the performance accountability systems and the agency's technical assistance platform. The DEI grants are awarded through a competitive solicitation to state workforce agencies.

FY 2018

The Department requests \$67,524,000 for FY 2018. In FY 2018, these funds will support workforce information grants to states, and will continue formal consultation with the Workforce Information Advisory Council established by WIOA. The funds will also continue to support the ongoing operation and maintenance of the suite of online career tools, including the CareerOneStop portal and the O*NET data collection, as well as data dissemination. The Department will further use these resources to support performance reporting systems, which continue to undergo updates and modifications to meet requirements of WIOA, and to share information about the performance of training providers to inform job seekers' training decisions. Lastly, the Department will continue to support the implementation of WIOA through technical assistance and the capacity of the workforce system to serve individuals with disabilities, particularly individuals seeking to re-enter the workforce after the onset of a disability or after receiving Social Security disability benefits.

FY 2017

Figures shown for FY 2017 reflect the annualized Continuing Resolution level, as a full-year appropriation had not been enacted at the time the budget was produced. The Department will provide an Operating Plan after a full-year appropriation bill is enacted.

WORKFORCE INFORMATION/ELECTRONIC TOOLS/SYSTEM BUILDING

| DETAILED WORKLOAD AND PERFORMANCE | | | | | | | |
|---|---|----------------------------|---------------|----------------------------|---------------|---------------------------------------|----------------------------|
| | | PY 2015 Enacted | | PY 2016 Enacted | | PY 2017 Full Year C.R. | PY 2018 Request |
| | | Target | Result | Target | Result | Target | Target |
| Workforce Information-Electronic Tools-System Building | | | | | | | |
| ETA-eTools-01 | Number of CareerOneStop site visits (in millions) | 25.50 | 29.5 | 28.50 | -- | 29.75 | 30.5 |
| ETA-eTools-02 | Number of O*NET site visits (in millions) | 35.50 | 56.9 | 55.75 | -- | 58.50 | 62.0 |
| ETA-eTools-03 | Site visits for CareerOneStop and O*NET (in millions) | 61.00 | 86.4 | 84.25 | -- | 88.25 | 92.5 |
| | Cost Per Site Visit | \$0.32 | \$0.23 | \$0.32 | -- | \$0.32 | \$0.22 |
| ETA-Sys Bld-01 | Number of State or Local Workforce Investment Boards that become Employment Networks (ENs) | 13 | 0 | 13 | -- | 13 | 4 |
| ETA-Sys Bld-02 | Number of Assigned Tickets to State or Local Workforce Investment Boards | 372 | 1,574 | 372 | -- | 372 | 1,900 |
| ETA-Sys Bld-03 | Revenue to State or Local Workforce Board ENs for Job Placement of Social Security Disability Beneficiaries | \$302,085 | \$947,455 | \$302,085 | -- | \$302,085 | \$1,250,000 |

Legend: (r) Revised (e) Estimate (base) Baseline -- Not Applicable TBD - To Be Determined [p] - Projection

WORKFORCE INFORMATION/ELECTRONIC TOOLS/SYSTEM BUILDING

Workload and Performance Narrative

Performance for the workforce information and electronic tools program is measured by the number of site visits to various electronic tools Web sites. Performance targets for FY/PY 2018 are 30.5 million site visits for CareerOneStop Web sites and 62.0 million site visits for O*NET Web sites, for an estimated total of 92.5 million site visits.

The primary outputs of this funding are workforce information and the electronic delivery of information and personalized career exploration tools for job seekers. The Department is able to measure the number of Web site visitors who access information and services. The Department has chosen not to collect registration or private identifying information when individuals access the site, and so is not able to collect data on how site visitors use these services or their subsequent employment experience. The currently collected information on site visits reflects intermediate outputs rather than final outcomes.

The steadily increasing traffic to the electronic tool Web sites over time demonstrates the ongoing demand for Web-based products and services, particularly for web services which indicate that multiple website developers use data and services from the Department. The data and workforce information disseminated through the sites is regularly refreshed with new and updated postings to ensure that the sites reflect changing skill requirements in the economy, and respond to various economic dislocations. Continuous improvement in customer service remains a top priority and the Department utilizes multiple approaches to obtain customer feedback and input through the use of social media and other forms of interactive communication.

For the DEI, the Department judged success through several standards. The Department monitors grantee performance regularly through Federal Project Officers in regional offices to ensure grantees are on target to meet performance goals. Such monitoring informs the design and delivery of technical assistance to improve performance. As part of program monitoring, the Department looks at the following system outputs:

- 1) Number of people with disabilities served and who received training, individual outcomes, and employment outcomes for people with disabilities, including entered employment, employment retention, and earnings.
- 2) Number of local workforce boards, American Job Centers, or state workforce agencies that become Employment Networks under the Ticket to Work Program, number of Tickets accepted, and funds received by Employment Networks for job placements of Social Security disability beneficiaries. These targets have been re-baselined for PY 2018 to reflect updated data on actual performance in past quarters.
- 3) Implementation of successful strategies to improve employment and training outcomes of persons with disabilities in the American Job Center system.

**WORKFORCE INFORMATION/ELECTRONIC TOOLS/SYSTEM
BUILDING**

| BUDGET ACTIVITY BY OBJECT CLASS | | | | | |
|--|---|----------------------------|---------------------------------------|----------------------------|---|
| (Dollars in Thousands) | | | | | |
| | | FY 2016 Enacted | FY 2017 Full Year C.R. | FY 2018 Request | Diff. FY18 Request / FY17 Full Year C.R. |
| 11.1 | Full-time permanent | 0 | 0 | 0 | 0 |
| 11.9 | Total personnel compensation | 0 | 0 | 0 | 0 |
| 25.1 | Advisory and assistance services | 0 | 0 | 0 | 0 |
| 25.2 | Other services from non-Federal sources | 0 | 0 | 0 | 0 |
| 41.0 | Grants, subsidies, and contributions | 67,653 | 67,524 | 67,524 | 0 |
| | Total | 67,653 | 67,524 | 67,524 | 0 |

WORKFORCE INFORMATION/ELECTRONIC TOOLS/SYSTEM BUILDING

CHANGES IN FY 2018

(Dollars in Thousands)

Activity Changes

Built-In

To Provide For:

| | |
|--------------------------|-----|
| Costs of pay adjustments | \$0 |
|--------------------------|-----|

| | |
|----------------------------------|---|
| Advisory and assistance services | 0 |
|----------------------------------|---|

| | |
|---|---|
| Other services from non-Federal sources | 0 |
|---|---|

| | |
|--------------------------------------|---|
| Grants, subsidies, and contributions | 0 |
|--------------------------------------|---|

| | |
|---------------------------|------------|
| Built-Ins Subtotal | \$0 |
|---------------------------|------------|

| | |
|--------------------|------------|
| Net Program | \$0 |
|--------------------|------------|

| | |
|-------------------|----------|
| Direct FTE | 0 |
|-------------------|----------|

| | Estimate | FTE |
|-------------------------|-----------------|----------|
| Base | \$67,524 | 0 |
| Program Increase | \$0 | 0 |
| Program Decrease | \$0 | 0 |