

FY 2015

CONGRESSIONAL BUDGET JUSTIFICATION

EMPLOYMENT AND TRAINING ADMINISTRATION

New Career Pathways Program

NEW CAREER PATHWAYS PROGRAM

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SUMMARY BUDGET AUTHORITY AND FTE BY ACTIVITY								
(Dollars in Thousands)								
	FY 2013 Enacted		FY 2014 Enacted		FY 2015			
					Current Law		Legislative Proposal	
	FTE	Amount	FTE	Amount	FTE	Amount	FTE	Amount
Income Support	0	0	0	0	0	0	0	1,062,000
General Funds	0	0	0	0	0	0	0	1,062,000
Training	0	0	0	0	0	0	0	1,153,000
General Funds	0	0	0	0	0	0	0	1,153,000
Re-Employment Services	0	0	0	0	0	0	0	668,000
General Funds	0	0	0	0	0	0	0	668,000
Wage Insurance	0	0	0	0	0	0	0	631,000
General Funds	0	0	0	0	0	0	0	631,000
Relocation Allowance	0	0	0	0	0	0	0	18,000
General Funds	0	0	0	0	0	0	0	18,000
Rapid Response	0	0	0	0	0	0	0	200,000
General Funds	0	0	0	0	0	0	0	200,000
Total	0	0	0	0	0	0	0	3,732,000
General Funds	0	0	0	0	0	0	0	3,732,000

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Introduction

The Administration proposes to establish a New Career Pathways (NCP) program, which will consolidate and improve upon the strengths of the Trade Adjustment Assistance (TAA) and WIA Dislocated Worker (DW) programs to streamline access to needed services for displaced workers. It includes a strong emphasis on job-driven training and aligns with the President's goal of ensuring our Federal job training system is high performing and driven by the needs of employers in order to get people back to work and into well paid jobs.

Displaced workers are individuals who have lost their jobs through no fault of their own because their employer closed a plant or division, moved or abolished their position, or simply had insufficient work for them. Our current worker training system does not treat all displaced workers the same; rather, it now asks how someone lost their job before deciding what support is available. Workers in trade-impacted industries are eligible for extensive income support, training, health care credits and reemployment services under TAA, while workers who are dislocated for other reasons receive less generous support and training through the WIA Dislocated Worker program on a first-come, first-serve basis. There is no economic basis for treating workers differently in this way. The NCP replaces this bifurcated approach with a universal set of services for all displaced workers.

The NCP program prioritizes reemployment services through a strong focus on early intervention and job search in order to get workers back to work faster. A recent study¹ commissioned by the Department of Labor revealed that early access to specific reemployment strategies such as developing a reemployment plan, providing access to relevant labor market information, and prompt referrals to reemployment services and training, provide a fast and cost-effective way to get displaced workers back to work.

Universal Set of Services

Every displaced worker will be eligible to receive a comprehensive suite of reemployment services, out-of-area job search, and relocation allowances. Workers demonstrating attachment to the workforce of three years or longer may be eligible to receive training along with income support, or wage insurance for older workers. The NCP program will streamline administrative steps and integrate proven practices, service delivery platforms, and infrastructure of the TAA and WIA-DW programs to provide access to a universal suite of training and employment services for a broader number of displaced workers.

The NCP program will provide *job-driven skills and occupational training* to displaced workers by bringing together education, labor, business and community leaders to meet the real-world needs of the changing global marketplace. These partnerships strengthen the American workforce and support the Department's broader goals of ensuring that every American that wants to be employed has an opportunity to get the training they need to prepare them for jobs

¹ Impact of the Reemployment and Eligibility Assessment (REA) Initiative. IMPAQ International, LLC
Author(s): Poe-Yamagata, Eileen ; Benus, Jacob ; Bill, Nicholas ; Carrington, Hugh ; Michaelides, Marios ; Shen, Ted ; Tirumalasetti, Dharmendra.

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that are in demand now or will be in the near future. The NCP program is designed to have a lasting impact on developing displaced workers' skills that lead to good jobs. The NCP program will also strengthen accountability for outcomes by allocating a portion of the funding to States based on their performance getting individuals placed in employment. States that are successful in achieving good employment outcomes using job-driven skills training approaches will receive bonus funding on top of their formula allocation.

Eligibility

Applicants must meet general and specific eligibility requirements, including a three-year tenure requirement, to be eligible for the full suite of the NCP program benefits and services, but all displaced workers will be eligible for case management and reemployment services. The NCP program is anticipated to serve at least one million workers each year.

The eligibility requirements will be similar to those for the WIA-DW program. Receipt of Unemployment Insurance (UI) is not necessary to meet the eligibility requirement. In addition to meeting the general eligibility requirements, program participants must also meet additional eligibility requirements to receive training vouchers or weekly income support.

NCP Benefits and Services

Displaced workers will work with a case manager in the relevant state to determine the best mix of benefits and services to accelerate reentry into the workforce. Eligible program participants are entitled to receive:

- *Rapid Response:* Mitigates the negative impacts of unemployment through early intervention and the engagement of reemployment services as soon as possible, preferably before workers end their existing job.
- *Reemployment services.* Upon acceptance into the NCP program, every displaced worker will have access to reemployment services as a proven, highly cost-effective strategy to shorten the duration of unemployment. The NCP program prioritizes reemployment services through a strong focus on early intervention and job search as its strategy to get workers back to work faster. Counseling and assessments will also help participants understand the potential advantages and disadvantages of entering a training program. Since every participant will not need the same level of reemployment services to return to the workforce, there will be – similar to WIA's core and intensive services – two levels of reemployment services: a Basic level and an Intensive level.

To be eligible for additional benefits and services beyond the reemployment services, job search and relocation allowances, program participants will need to demonstrate a three-year attachment, or tenure, to the workforce in the same firm or industry. Part-time workers will be eligible for training.

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- *Training Voucher.* Provides up to \$8,000 over two years for training in high-demand occupations. To be eligible to receive training vouchers, program participants will be required to have participated in reemployment services and to meet the criteria below:
 - There is no suitable employment for the worker;
 - The worker would benefit from appropriate training;
 - There is a reasonable expectation of employment following training;
 - Training must be reasonably available to the worker; and
 - The worker is qualified to obtain and complete the training, including having adequate financial resources available to complete the training when their weekly income support is exhausted.

Training could include: occupational skills training; skill upgrading and retraining; on-the-job training; workplace training combined with related instruction; entrepreneurial training; job readiness training; adult education and instruction on literacy combined with skills training; and customized training. Training vouchers will be available for eligible program participants and can be used to cover the costs of personally customized training, as approved by the state, whether such training is provided through on-the-job training, through registered apprenticeship, or as incumbent worker training (in cases where additional training will avert a layoff). The Department would require training providers to report information on employment outcomes by program of study, so participants can make informed choices.

- *Job-Search Allowance.* Provides a stipend to help cover job search expenses associated with finding work outside the participant's normal commuting area. Job search allowances are cash payments that cover the total costs of allowable travel and subsistence, up to a total of \$1,250.
- *Relocation Allowance.* Provides a stipend when participants must move to a new area for employment outside their normal commuting area. Relocation allowances may include:
 - Reasonable and necessary expenses of moving workers who have secured employment outside of their normal commuting area, their families and their household goods; or
 - A lump-sum payment equal to three times the worker's average weekly wage (but no more than \$1,250), to help them get settled.
- *Income Support (Weekly Income Stipend).* Provides those who are enrolled in training a weekly income stipend for up to 78 weeks after exhausting UI benefits, to help cover personal costs related to attending training like childcare or transportation. A participant's weekly stipend will be equal to 100 percent or 50 percent of their UI weekly benefit amount depending on whether, at the time of participation, their household income is below or above 130 percent of the Federal Poverty Line (FPL).

Program participants may receive a weekly stipend if they were not eligible for UI; however, all participants must meet the enrollment in training requirement to be eligible to receive the stipend. There are no waivers of the training requirement for the weekly income stipend. In

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addition, the NCP program participants will need to meet benchmarks, which include, but are not limited to, whether the participant is receiving passing or failing grades.

- *Wage Insurance.* Provides a wage subsidy up to 50 percent of the difference between previous and current wages for program participants who are age 50 or older and obtain full-time employment paying wages of \$50,000 or less per year. The subsidy will be for up to \$10,000, payable over a maximum of two years. The NCP program participants are eligible for wage insurance after finding employment any time within two years of separation from employment. Participants who have undergone a substantial amount of training and received a stipend are not eligible for wage insurance. Participants who received less than one month of training and used less than \$500 of a training voucher may still be eligible for wage insurance. Participants who receive wage insurance will not be eligible for training either concurrently or subsequently.

NCP Service Delivery:

As is the case under the TAA program, states would provide benefits and services to displaced workers in the NCP program as agents of the United States. Each state would do so through one or more state agencies, one of which is designated as the Cooperating State Agency (CSA) in an agreement between the state's Governor and the Secretary. The CSA operates the NCP program in the state in coordination with the AJC network partners that administer the NCP program at the local level. ETA will provide extensive technical assistance and guidance to the workforce system leading up to and following the enactment of the NCP program.

Performance Indicators

To measure performance, the NCP program will use the set of common performance measures (Common Measures) for employment and training programs. The use of common measures enables ETA to describe the core purposes and results of the workforce investment system. The definitions of the Common Measures are as follows:

- *Entered Employment Rate.* Percent of participants employed in the first quarter after exit;
- *Employment Retention Rate.* Percent of participants employed in the first quarter after program exit still employed in the second and third quarters after exit; and
- *Average Earnings.* Dollar amount of participants' average earnings in the second and third quarters after exit.

In addition to the Common Measures, the Department will also capture a Credential Attainment Percentage, which is the percent of workers who obtained a recognized postsecondary credential, including an industry-recognized credential, or a secondary school diploma or its recognized equivalent if combined with employment while receiving program benefits and services.

Following enactment, baseline data for the above measures will be collected over a two-year period and used to develop performance goals for the program.

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Funding Mechanism

The Department's Office of the Chief Economist (CHECO) derived a 10-year projection of the NCP program costs. Using 2015 as a base year, it is estimated that the NCP program will cost \$3.7 billion in FY 2015, and \$30.1 billion over ten years. The phase-out of the TAA program allows for \$5.8 billion in savings from mandatory funds over 10 years, reducing the 10-year cost of the NCP program to \$24.3 billion. The WIA-DW phase-out also produces discretionary savings, which are offset by an increase in funding for WIA-Adults to cover those ineligible for training under NCP, netting to \$7.4 billion over the 10-year budget window. Because the Department will no longer be requesting funds for WIA-DW after the NCP program begins, the net cost to run the new program will be \$16.9 billion over 10 years.

Allocation Method and Flow of Funds

The Department is proposing an allocation method, flow of funds, and distribution timeline similar to the way funds are handled today for TAA.

Funds for benefits and services, other than the income support and wage insurance funds, will be provided to states through a funding formula for distribution. The funding formula will be designed to target training funds to the states where the resources are most needed. It uses a formula methodology to ensure stability of funding and transparency in the distribution.

Once received by states, the funds will be subject to mandatory sub-state distribution formula with a portion held at the state level, to ensure each local area gets the funds needed to serve workers while preserving a strong, centralized state-level presence that ensures consistency and accountability.

- *Minimum Funding Thresholds.* The NCP program formula would have an 80 percent hold-harmless measure, wherein state allotments cannot be less than 80 percent of state relative share of prior year funding.
- *Rapid Response.* Funding for Rapid Response activities will be handled through the Office of National Response (ONR) and will be provided to states on an as needed basis based on established ONR policies and procedures.

State and Local Administration

Ten percent of total program funds will be available to states for case management and administrative costs. The NCP program will also strengthen accountability for outcomes by allocating a portion of the funding to States based on their performance getting individuals placed in employment. States that are successful in achieving good employment outcomes using job-driven skills training approaches will receive bonus funding on top of their formula allocation.

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Transition

Beginning with TAA petitions filed on January 1, 2015, all dislocated workers will become eligible for the NCP program. While TAA-certified workers already participating in TAA will continue under that program, following the effective date of the NCP program a firm one-year deadline for new enrollment in TAA training will be set for TAA-certified workers and workers whose petitions are pending determination by the Department. All workers seeking services after this deadline will only be eligible for the NCP program. In addition, the 2015 Budget requests funding for the WIA-DW program through program year 2015 to allow for a more gradual transition to NCP.

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Using 2015 as a base year, the Department's Office of the Chief Economist Officer (CHECO) derived a 10-year projection of the NCP program costs. Based on these calculations, the Department is requesting \$3,732,000,000 for the implementation of the NCP program in 2015.