

FY 2008

CONGRESSIONAL BUDGET JUSTIFICATION

EMPLOYMENT AND TRAINING ADMINISTRATION

General Statement

EMPLOYMENT AND TRAINING ADMINISTRATION

PERFORMANCE BUDGET

TABLE OF CONTENTS

General Statement.....	1
Organizational Chart.....	11
Employment and Training Administration Budget.....	12

EMPLOYMENT AND TRAINING ADMINISTRATION

General Statement for the Employment and Training Administration

Introduction

The mission of the Employment and Training Administration (ETA) is to contribute to the more efficient functioning of the U.S. labor market by providing high quality job training, employment, labor market information, and temporary wage replacement. ETA strives to provide workers with the training and employment services they need and to link employers and job seekers for their mutual benefit. This relationship allows workers to live more productive and prosperous lives and American businesses to be more competitive in the global economy.

ETA's vision is to promote pathways to economic independence for individuals and families by administering programs that have the overarching goals of enhanced employment opportunities and business prosperity. These programs include those authorized by the Workforce Investment Act of 1998 for adults, dislocated workers, youth, and targeted populations; Trade Adjustment Assistance authorized by the Trade Act of 1974; Employment Services authorized by the Wagner-Peyser Act; Unemployment Insurance authorized by the Social Security Act; the Immigration National Act; the Senior Community Service Employment Program authorized by the Older Americans Act; and Apprenticeship programs authorized by the National Apprenticeship Act.

ETA's work supports three of the four strategic goals for the Department of Labor:

- Goal 1 – A Prepared Workforce: Develop a prepared workforce by providing effective training and support services to new and incumbent workers and supplying high quality information on the economy and labor market.
- Goal 2 – A Competitive Workforce: Meet the competitive labor demands of the worldwide economy by enhancing workforce development and regulatory systems that assist workers and employers in meeting the challenges of global competition.
- Goal 4 – Strengthened Economic Protections: Protect and strengthen worker economic security through effective and efficient provision of Unemployment Insurance and workers' compensation; ensuring union transparency; and securing pension and health benefits.

To enable the Department to achieve these strategic goals, ETA's FY 2008 Budget request is \$9,288,026,000, \$787,778,000 below the FY 2007 estimate level. ETA's request will support 1,180 FTE.

EMPLOYMENT AND TRAINING ADMINISTRATION

Issues, Outcomes and Strategies

Increasing Competition in the Global Economy

The United States competes in a global economy that is far different from the international markets of the past. In order to ensure continued American prosperity in a changing economic environment the existing public workforce investment must be reformed. Workers must develop the skills necessary to compete and succeed in high growth industries. The Administration's 2008 job training reform proposal, including the creation of Career Advancement Accounts (CAA), begins to address these issues.

Implications for ETA

ETA is developing more streamlined and efficient ways for workers to access training and increase their skills. Aligning the workforce investment system with new economic realities facing the United States is among the critical factors in ensuring that American workers and businesses are competitive in the global marketplace. Three themes have guided the preparation of ETA's FY 2008 Budget request: competitiveness, transformation, and efficiency and performance. The changes that are being proposed in this Budget fall broadly under these themes and are discussed more fully below.

Competitiveness

Early in 2006, as a part of his FY 2007 Budget, President Bush announced a new agenda for the Nation's economy called the *American Competitiveness Initiative*. The initiative is made up of series of actions designed to ensure our country's ability to compete in the global economy. As a part of this initiative, the President presented a bold proposal to reform the Workforce Investment Act (WIA) and related programs. The 2007 proposal was guided by several reform principles: promoting state and local flexibility, increasing the number of workers trained, streamlining governance structures, improving performance accountability, and strengthening workers' ownership of their own careers.

The 2008 Budget re-proposes significant workforce investment system reforms based upon the Administration's reform principles articulated above. The President's reforms would maintain the existing nationwide system of One-Stop Career Centers, but reduce duplication by consolidating several similar funding streams into one large State grant program, limiting the amount of funds that could be spent on overhead, cutting Federal red tape, and creating Career Advancement Accounts (CAA) – worker-directed accounts to give individuals the resources necessary to increase their skills and better compete for jobs.

Career Advancement Accounts are self-directed accounts that enable current and future workers to gain the skills needed to successfully enter, navigate and advance in the 21st century labor market. Accounts would be available to both adults and out-of-school youth entering or re-

EMPLOYMENT AND TRAINING ADMINISTRATION

entering the workforce or transitioning between jobs, or incumbent workers in need of new skills to remain employed or to move up the career ladder. Additional eligibility criteria and service priorities would be established by states. The maximum amount of an account would be \$3,000 for one year. This is sufficient to finance approximately one-year's study at a community college. The accounts may be renewed for one additional year, for a total two-year account of up to \$6,000 per worker. The Career Advancement Account proposal would significantly increase the number of workers currently trained through the workforce investment system.

Transformation

The Career Advancement Account proposal described above builds on our continued commitment to champion the transformation of the public workforce investment system to a demand-driven system through the President's High Growth Job Training Initiative, Community-Based Job Training Grants, and the Workforce Innovation in Regional Economic Development (WIRED) Initiative. ETA's FY 2008 Budget will continue to support these important initiatives, which are described more fully below.

Over the past four years, the Department of Labor has been implementing the President's High Growth Job Training Initiative. This initiative is the cornerstone of the Department's efforts to create a workforce investment system that is demand-driven and balances the needs of America's workers with the demands of employers. Through the High Growth Job Training Initiative, ETA has invested over \$284,000,000 in 149 partnerships among employers, education programs, and the workforce system. Each project targets the skill and talent needs of high growth, high demand industries in our nation's economy and provides the resources necessary to develop the capacity to train workers in the skills demanded by the 21st century economy. By training workers with the skills employers want, more workers will obtain quality jobs that pay higher wages, while enabling employers to address their skill shortages and better compete in today's changing economy.

Our work under the High Growth Job Training Initiative revealed a critical shortcoming in the workforce development capacity of many regions: many communities are not positioned to meet the training demands of our high growth industries because of limited training capacity and outdated curricula and training delivery systems. To address this need for expanded affordable, flexible education and training capacity in local communities across the country, President Bush established the Community-based Job Training Grant program. The initiative provides Community-Based Job Training Grants to help community and technical colleges train workers for jobs in high growth sector. In the fall of 2005, ETA announced the first installment of this initiative by investing \$125,000,000 in grants to 70 community colleges around the country. A second round of \$125,000,000 in grants to 72 community colleges was announced in December 2006.

A related initiative, Workforce Innovation in Regional Economic Development or WIRED, also is answering the call for competitiveness by fostering innovation through regional workforce and economic development. Though global competition is often seen as a national challenge, it is actually at the regional level where solutions must be developed and the challenges met. It is in

EMPLOYMENT AND TRAINING ADMINISTRATION

regional economies where companies, workers, researchers, entrepreneurs and government come together to create competitive advantage and where new ideas and new knowledge are transformed into advanced, high-quality products or services.

Facilitating the growth of a regional economy requires attention to three critical elements. The first is infrastructure. This includes not only the traditional factors such as highways, bridges, and buildings, but also 21st century factors like access to broadband and wireless networks. The second critical element is investment of capital, including the availability of risk capital and the conditions that encourage entrepreneurial risk-taking. And the third element is a flexible, talented labor force. A region may possess a strong infrastructure and the investment resources for success, but without the talented men and women to use those elements for economic growth, they are meaningless.

Recognizing the importance of transforming and revitalizing regional economies through a focus on talent development, ETA launched the WIRED initiative. Thirteen regions, the First Generation of WIRED, were awarded grants in February 2006 through a competitive process. The initiative was expanded in April 2006 when an additional 13 regions, selected through the same competitive process, were invited to participate in the WIRED Initiative as “virtual” regions. ETA has now invited these regions to become the Second Generation of WIRED and will be awarding additional grants to these regions. Through WIRED, ETA is providing the financial and expert assistance needed for regions to make the leap to an innovation economy.

The WIRED Initiative focuses on labor market areas that are comprised of multiple jurisdictions within a state or across state borders. It seeks to help regions transform their workforce investment, economic development, and education systems to support overall regional economic growth by fostering collaborative partnerships among universities, businesses, government, workforce and economic development organizations, and other key regional partners. The regions selected have been affected by global trade or BRAC closings, are dependent on a single industry, are recovering from natural disasters or face other economic challenges.

Ultimately, the WIRED Initiative supports innovative approaches to workforce and economic development that go beyond traditional strategies preparing workers to compete and succeed. Through WIRED, we intend to catalyze the creation of high-skill and high-wage opportunities for American workers within the context of regional economies.

Building on the principles in the WIRED Initiative, particularly the critical role of regional partnerships, ETA will begin an effort to develop public-private funding collaboratives that are results-driven, entrepreneurial and flexible where federal workforce development funds are used as a catalyst to locate and leverage other public and private resources. Federal grant dollars would be awarded to components of the public workforce investment system that commit to leveraging a minimum of \$2 in non-federal resources for every \$1 in federal grant funds. As a result, the workforce system would have an incentive to partner with employers, education and training institutions, community partners, the philanthropic community and other entities to collaborate on policy and funding issues that go beyond the coordination that currently exists in

EMPLOYMENT AND TRAINING ADMINISTRATION

much of the country. Collaboration will result in fundamental changes in how funds are allocated within a region by rewarding regions where funds are effectively aligned, reducing any duplication of effort, and streamlining administration and infrastructure. This activity would result in improved outcomes and increased efficiencies.

Efficiency and Performance

In addition to the fundamental changes being proposed to support the *American Competitiveness Initiative* and the continuation of important initiatives that support the transformation of the workforce investment system, ETA proposes a series of restructuring and reform proposals to increase the efficiency and performance of ETA programs. These include an Unemployment Insurance (UI) Integrity proposal, several proposals to increase the efficiency and performance of WIA, a proposal to improve foreign labor certification processing, and a proposal to transfer the Job Corps program back to ETA.

Unemployment Insurance

Several amendments to Federal law are again being proposed that will assist states in preventing, detecting, establishing, and recovering Unemployment Compensation (UC) overpayments; strengthening employer compliance/tax collection activities; and enhancing early reemployment of UC beneficiaries. These amendments build on previous Administration proposals to increase the integrity of the UC program and to promote early reemployment of beneficiaries. The proposed amendments will:

- Provide states with the opportunity to obtain additional funding for the costs of preventing, detecting and recovering UC overpayments—known as benefit payment control (BPC)—and tax integrity activities through non-traditional means;
- Provide employers with an additional incentive to respond to state requests for separation information, thereby reducing one of the most common reasons for overpayments—an erroneous separation determination;
- Provide an additional mechanism for collection of overpayments and delinquent employer taxes;
- Permit states to request waivers of certain Federal requirements in order to implement demonstration projects to enhance the early reemployment of individuals eligible for UC; and
- Facilitate the identification of claimants who fraudulently received benefits after returning to work.

Workforce System Efficiency and Performance

Over the past several years, President Bush has sought to reform the workforce investment system in order to improve program performance and efficiency. In alignment with those objectives, ETA proposes the following technical changes to enhance performance accountability and improve the efficiency of program operations:

EMPLOYMENT AND TRAINING ADMINISTRATION

- Establish access to the National Directory of New Hires, so that this database can be used to track performance outcomes for WIA and other workforce programs.
- Reduce from three to two years the period of time states have to expend WIA funds.
- Enable states to use proceeds from the sale of real property acquired with grant funds for services and other program activities rather than return the funds to the Treasury.
- Revise WIA formula factors in order to more effectively and fairly distribute WIA formula funding.

Foreign Labor Certification Processing

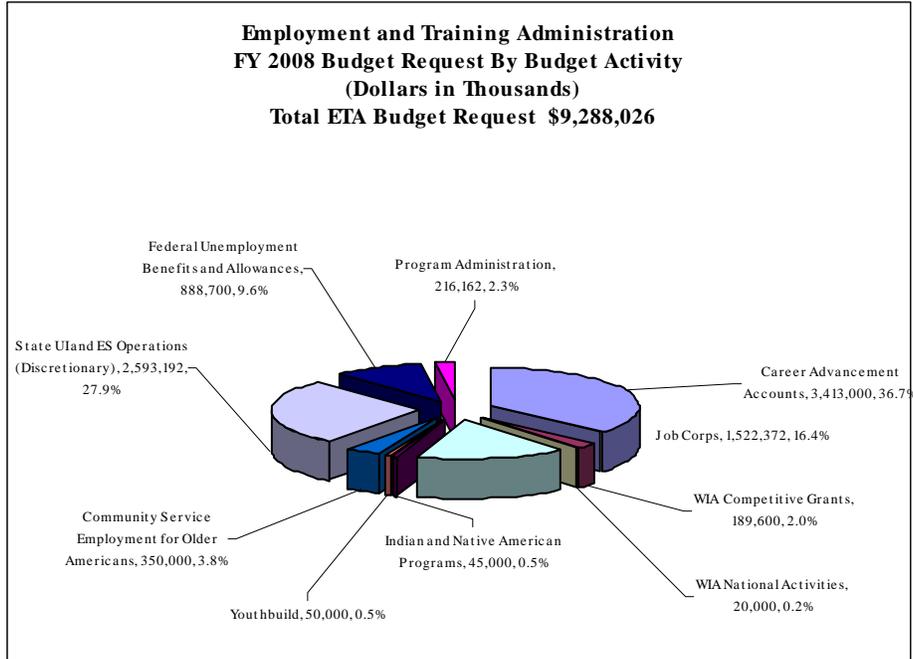
The timely processing of foreign labor certification under both temporary and permanent immigration programs remains a priority for the agency. The Permanent Foreign Labor Certification or PERM program continues to experience improved efficiencies in the processing of applications. However, this process is still labor intensive. The FY 2008 Budget proposes legislation to authorize a cost-based user fee on new applications for the PERM program. This will enable spending based on filings and not limited by appropriations. Backlogs will again occur in the new PERM program absent funding levels either from a fee structure or appropriations commensurate with filing activity levels.

Job Corps

The FY 2006 Appropriations Act for the Department of Labor transferred responsibility for administering the Job Corps program from ETA to the Office of the Secretary of Labor. The Department of Labor proposes that ETA again be made responsible for administering the Job Corps program. This will promote integration of Job Corps activities with the overall workforce investment system, locate it in the agency that has principal expertise on workforce development issues and administers other job training and employment programs, and achieve efficiencies in overhead and administrative costs.

EMPLOYMENT AND TRAINING ADMINISTRATION

Cost Model



ETA requests a total of \$9,288,026,000 and 1,180 FTE, \$787,778,000 below the FY 2007 annualized continuing resolution. This level of funding will enable ETA to meet its highest priority performance plan goals and objectives during FY 2008.

Highlights of the FY 2008 Budget are listed below. The proposed funding changes are summarized in the Summary of Changes. The 2008 Budget requests:

- \$3,413,000,000 for Career Advancement Accounts (CAAs). Funds previously appropriated for the following WIA Adult, WIA Dislocated Worker, WIA Youth, and the Employment Service programs would be allocated to states as a single funding stream for CAAs.
- \$150,000,000 for continuation of the President's Community-Based Job Training Grants program.

EMPLOYMENT AND TRAINING ADMINISTRATION

- \$39,600,000 for a new consolidated Reintegration of Ex-Offenders program that replaces and draws from the lessons learned of the Responsible Reintegration of Youthful Offenders Program and the Prisoner Re-entry Initiative.
- \$50,000,000 for the Youthbuild program.
- \$350,000,000 for the Senior Community Service Employment Program.
- \$15,089,000 for Employment Service National Activities, including \$12,740,000 for Foreign Labor Certification activities and the remainder for technical assistance to the workforce system and State Workforce Agency retirement.
- \$45,000,000 for the Native American training program.
- Termination of the Migrant and Seasonal Farmworkers and Work Incentive Grants programs, as was proposed in the 2007 Budget.
- \$216,162,000 and 1,180 FTE to administer ETA's programs.

The FY 2008 Budget also includes two cancellations of funds that are no longer needed:

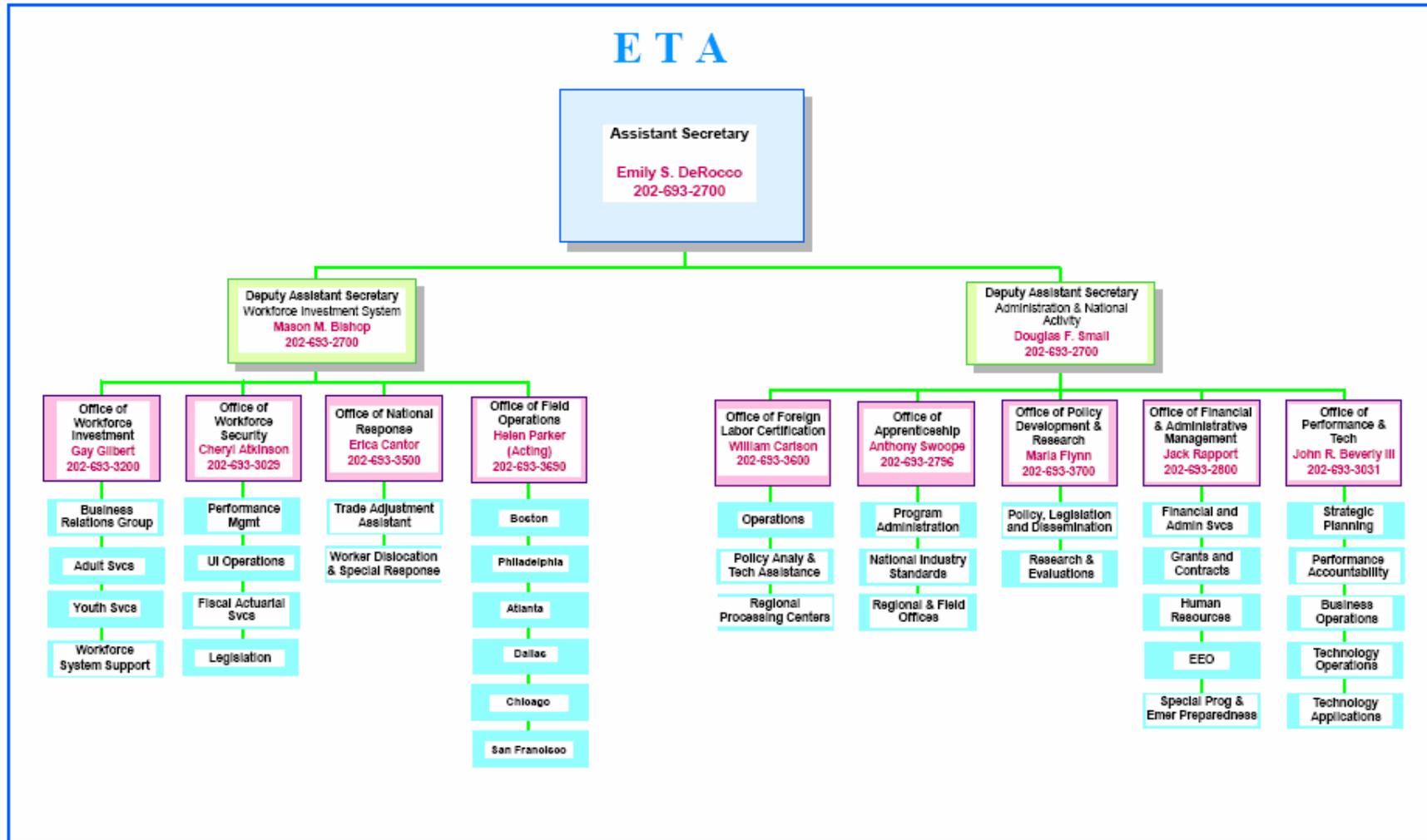
- Due to continuing high levels of unexpended WIA funding, a cancellation of unexpended WIA balances of \$335,000,000.
- A cancellation of unobligated emergency response funds totaling \$4,540,000 in Training and Employment Services and \$4,100,000 in State Unemployment Service and Employment Service Operations.

EMPLOYMENT AND TRAINING ADMINISTRATION

Employment and Training Administration Budget Summary**FY 2008****(Dollars in Thousands)**

EMPLOYMENT AND TRAINING ADMINISTRATION	\$9,288,026
Training and Employment Services	5,239,972
Career Advancement Accounts	3,413,000
WIA Competitive Grants	189,600
Reintegration of Ex-Offenders	39,600
Community-Based Job Training Grants	150,000
WIA National Activities	20,000
Pilots, Demonstrations and Research	13,000
Evaluation	7,000
Job Corps	1,522,372
Indian and Native American Programs	45,000
Youthbuild	50,000
Community Service Employment for Older Americans	350,000
State UI and ES Operations (Discretionary)	2,593,192
Unemployment Insurance State Administration	2,550,723
Unemployment Insurance National Activities	10,500
Employment Service National Activities	15,089
Workforce Information/National Electronic Tools/System Building	16,880
Federal Unemployment Benefits and Allowances	888,700
Advances to the Unemployment Trust Fund [Non Add]	2,752,000
Program Administration	216,162

EMPLOYMENT AND TRAINING ADMINISTRATION



EMPLOYMENT AND TRAINING ADMINISTRATION

U.S. DEPARTMENT OF LABOR¹
Employment and Training Administration
FY 2008 Congressional Justification
(Dollars in Thousands)

	FY 2006	FY 2007	FY 2008	
	Revised Enacted	Annualized CR	Current Law	Legislative Proposal
TOTAL BUDGET AUTHORITY	\$10,036,376	\$10,075,804	\$9,288,026	\$9,288,026
TRAINING AND EMPLOYMENT SERVICES	5,081,508	5,254,341	4,494,411	5,239,972
Career Advancement Accounts	0	0	0	3,413,000
Adult Employment and Training Activities	857,079	864,604	712,000	0
Dislocated Workers Employment and Training Activities	1,462,553	1,439,201	1,114,939	0
Youth Activities	940,500	942,081	840,500	0
WIA Competitive Grants	68,746	189,465	189,600	189,600
Ex-Offender Activities	68,746	65,465	39,600	39,600
Reintegration of Ex-Offenders	0	0	39,600	39,600
Responsible Reintegration of Youthful Offenders	49,104	45,625	0	0
Prisoner Re-entry Initiative	19,642	19,840	0	0
Community-Based Job Training Grants	0	124,000	150,000	150,000
WIA National Activities	39,537	97,942	20,000	20,000
Pilots, Demonstrations and Research	29,700	88,263	13,000	13,000
Evaluation	7,857	6,036	7,000	7,000
Technical Assistance	1,980	3,643	0	0
Job Corps	1,573,270	1,582,079	1,522,372	1,522,372
Indian and Native American Programs	53,696	53,072	45,000	45,000
Migrant and Seasonal Farmworkers	79,252	79,022	0	0
Youthbuild	0	0	50,000	50,000
Denali Commission	6,875	6,875	0	0
COMMUNITY SERVICE EMPLOYMENT FOR OLDER AMERICAN	432,311	432,311	350,000	350,000
STATE UI AND ES OPERATIONS (Discretionary)	3,358,157	3,353,552	3,338,653	2,593,092
Unemployment Insurance	2,507,670	2,507,670	2,561,223	2,561,223
State Administration	2,497,770	2,497,770	2,550,723	2,550,723
National Activities	9,900	9,900	10,500	10,500
Employment Service	749,311	749,311	721,545	15,089
Grants to States	715,883	715,883	688,779	0
National Activities	33,428	33,428	32,766	15,089
Foreign Labor Certification	13,013	13,013	12,740	12,740
TAT/SWA Retirement	2,738	2,738	2,349	2,349
WOTC	17,677	17,677	17,677	0
Workforce Information/National Electronic Tools/System Building	81,662	74,008	55,985	16,880
Work Incentive Grants	19,514	22,563	0	0
FEDERAL UNEMPLOYMENT BENEFITS AND ALLOWANCES	966,400	837,600	888,700	888,700
ADVANCES TO UNEMPLOYMENT TRUST FUND [NON-ADD]	465,000	465,000	437,000	2,752,000
PROGRAM ADMINISTRATION	198,000	198,000	216,162	216,162

¹ FY 2006 reflects enacted, not actual, levels.

The 2007 level is the assumed current rate under the terms of P.L. 109-289, as amended.