

FY 2014

CONGRESSIONAL BUDGET JUSTIFICATION

EMPLOYMENT AND TRAINING ADMINISTRATION

**State Unemployment Insurance and
Employment Service Operations**

STATE UNEMPLOYMENT INSURANCE AND EMPLOYMENT SERVICE OPERATIONS

TABLE OF CONTENTS

Appropriation Language	1
Explanation of Language Change	5
Amounts Available for Obligation.....	7
Summary of Changes	8
Budget Authority and FTE by Activity	10
Budget Authority by Object Class	13
Performance Structure	14
Appropriation History	16
Introduction.....	17
Budget Activities	19
Unemployment Insurance	19
Employment Service	45
Foreign Labor Certification	65
Workforce Information-Electronic Tools-System Building	83

STATE UNEMPLOYMENT INSURANCE AND EMPLOYMENT SERVICE OPERATIONS

APPROPRIATIONS LANGUAGE

For authorized administrative expenses, \$113,068,000, together with not to exceed \$3,692,631,000 which may be expended from the Employment Security Administration Account in the Unemployment Trust Fund ("the Trust Fund"), of which:

(1) \$2,861,575,000 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 \$60,000,000 to conduct in-person reemployment and eligibility assessments and unemployment insurance improper payment reviews as specified for purposes of Section 251(b)(2) of the Balanced Budget and Emergency Deficit Control Act of 1985, as amended, and \$10,000,000 for activities to address the misclassification of workers), 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 shall be available for obligation by the States through December 31, 2013, except that funds used for automation acquisitions or competitive grants awarded to States for improved operations, reemployment and eligibility assessments and improper payments, or activities to address misclassification of workers shall be available for Federal obligation through December 31, 2014 and for obligation by the States through September 30, 2016, and funds used for unemployment insurance workloads experienced by the States through September 30, 2014 shall be available for Federal obligation through December 31, 2014;

(2) \$11,297,000 from the Trust Fund is for national activities necessary to support the administration of the Federal-State unemployment insurance system;

(3) \$708,247,000 from the Trust Fund, together with \$22,595,000 from the General Fund of the Treasury, is for grants to States in accordance with section 6 of the Wagner-Peyser Act, of which not less than \$30,000,000 shall be used to provide reemployment services to beneficiaries of unemployment insurance, and shall be available for Federal obligation for the period July 1, 2014 through June 30, 2015;

STATE UNEMPLOYMENT INSURANCE AND EMPLOYMENT SERVICE OPERATIONS

(4) \$20,912,000 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 Revenue Code of 1986, and the provision of technical assistance and staff training under the Wagner-Peyser Act, including not to exceed \$1,166,000 that may be used for amortization payments to States which had independent retirement plans in their State employment service agencies prior to 1980;

(5) \$65,600,000 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 \$50,501,000 shall be available for the Federal administration of such activities, and \$15,099,000 shall be available for grants to States for the administration of such activities; and

(6) \$90,473,000 from the General Fund is to provide workforce information, national electronic tools, and one-stop system building under the Wagner-Peyser Act and section 171 (e)(2)(C) of the WIA and shall be available for Federal obligation for the period July 1, 2014 through June 30, 2015, and

(7) \$25,000,000 from the Trust Fund is for competitive grants to the States for administration and evaluation of demonstration projects under Section 305 of the Social Security Act (as added by section 2102 of the Middle Class Tax Relief Act and Job Creation Act of 2012), except that section (305)(d)(3) shall be applied by substituting "2017" for "2015", and these funds shall be available for Federal obligations through December 31, 2017:

Provided, That to the extent that the Average Weekly Insured Unemployment ("AWIU") for fiscal year 2014 is projected by the Department of Labor to exceed 3,357,000 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.

STATE UNEMPLOYMENT INSURANCE AND EMPLOYMENT SERVICE OPERATIONS

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 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 or immigration programs, may be obligated in contracts, grants, or agreements with 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 Circular A-87: 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 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 non-profit 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, 2015 for such purposes.

In addition, \$20,000,000 from the Employment Security Administration Account of the Unemployment Trust Fund shall be available to conduct in-person reemployment

STATE UNEMPLOYMENT INSURANCE AND EMPLOYMENT SERVICE OPERATIONS

and eligibility assessments and unemployment insurance improper payment reviews, as specified for purposes of Section 251(b)(2) of the Balanced Budget and Emergency Deficit Control Act of 1985, as amended.

Note-A full year 2013 appropriation for this account was not enacted at the time the budget was prepared; therefore, this account is operating under the Continuing Appropriations Resolution, 2013 (P.L. 112-175). The amounts included for 2013 reflect the annualized level provided by the continuing resolution.

STATE UNEMPLOYMENT INSURANCE AND EMPLOYMENT SERVICE OPERATIONS

EXPLANATION OF LANGUAGE CHANGE

The Administration proposes several changes to the language under the heading State Unemployment Insurance and Employment Service Operations for FY 2014 from the language that was enacted in FY 2012.

In paragraph (1), the Administration proposes language to provide that \$10 million of the funds appropriated to carry out State administration of the unemployment insurance program is to be used for activities to address the misclassification of workers, and that the funds for those activities are to be available for obligation by the States through September 30, 2015.

Misclassification of workers often results in denials of UI eligibility and is a significant problem that this appropriation is intended to help address.

Also in paragraph (1), the Administration would add language to allow the Department of Labor an additional quarter (through December 31, 2014) to obligate funds for automation acquisitions and for competitive grants to States for improved operations, reemployment and eligibility assessments, improper payments, and activities to address misclassification of workers. The appropriations language has previously included the provisions in this paragraph that have allowed the Department an additional quarter to obligate funds relating to the States' workload in administering unemployment insurance claims for the fourth quarter of the fiscal year. Harmonizing the obligation periods for workload and the specified activities would allow the Department to more effectively utilize these resources. The Department is unable to definitively determine the full amount of the appropriation available for these specified activities until the States report and are reimbursed for the workload related to administering unemployment insurance claims for the fourth quarter of a fiscal year. Those reports and reimbursements occur during the additional quarter after the fiscal year has ended. Currently, the Department must rely on estimates of the workload amounts to determine the amounts to be obligated for the specified activities by September 30. Allowing an additional quarter would allow the Department to make this determination based on the actual use of funds in lieu of estimates and therefore more efficiently and effectively fund the specified activities. It may be noted that there is a proviso under this paragraph that has been included in previous fiscal years that provides the States with an additional period to obligate funds for these activities (through September 30, 2016).

In paragraph (3), the Administration proposes to provide that not less than \$30 million of the funds appropriated for grants to States under the Wagner-Peyser Act be used to provide reemployment services to the beneficiaries of unemployment insurance. While many individuals currently served under the Wagner-Peyser Act are UI claimants, this threshold of funding is intended to promote the provision of reemployment services to those individuals.

The Administration proposes to insert a new paragraph (7) that would provide \$25 million to assist States to carry out the unemployment compensation (UC) demonstration projects that are authorized under section 305 to the Social Security Act (as added by the Middle Class Tax Relief and Job Creation Act of 2012). The purposes of these demonstration projects are to expedite the reemployment of individuals who are eligible to claim UI and to improve the

STATE UNEMPLOYMENT INSURANCE AND EMPLOYMENT SERVICE OPERATIONS

effectiveness of a State in carrying out the State UI law with respect to reemployment. This new paragraph also contains an extension of the period in which the demonstration projects must be completed by two years, through December 31, 2017. These projects offer significant opportunities for States to implement innovative approaches to promoting the reemployment of UI claimants and this funding is intended to assist States in those efforts.

After the fourth proviso succeeding paragraphs (1) through (7), the Administration proposes to include a proviso that allows States awarded grants for improved operations under title III of the Social Security Act (under paragraph (1)), or to carry out national activities of the Federal-State unemployment insurance system (under paragraph (2)), to award subgrants to other States. The subgrants would be subject to the conditions applicable to the grant. While State grantees may currently enter into contracts or subcontracts, the use of subgrants may be more appropriate in carrying out certain projects with other States. This would be the case where the beneficiaries of the activities are not limited to the Department or the grantee. The associated procurement procedures for subgrants may also be more efficient and effective in providing funds to other States in carrying out the activities provided for under the grant. Therefore, the proviso is intended to provide appropriate flexibility to States to involve other States in carrying out grants for the improved operations and national activities of the UI system.

The Administration also proposes to add a new proviso after the other provisos that would authorize the Secretary to collect fees for costs associated with additional data collection requested by State and local governments, institutions of higher education or nonprofit institutions under the National Agricultural Workers Survey and to retain the proceeds to cover such costs. The survey is funded from the funds appropriated to provide workforce information under paragraph (6) of this heading.

Finally, in the last paragraph under this heading the Administration proposes to insert, after the reference to funding for in-person reemployment and assessments and unemployment insurance improper payment reviews, the phrase “as specified for purposes of Section 251(b)(2) of the Balanced Budget and Emergency Deficit Control Act of 1985, as amended.” Not less than \$60 million is to be used for REA and improper payment review activities as part of the funding for State administration of the unemployment insurance program under paragraph (1) and an additional \$20 million is separately provided for those activities in this last paragraph. The Administration is submitting legislation separately that would amend the referenced provisions of the Balanced Budget and Emergency Deficit Control Act of 1985 to provide for an adjustment in the statutory discretionary spending limits established under that Act if specified levels of funding for these assessments and reviews are appropriated as well as the funds requested to meet the State workload needs for administration of the unemployment insurance program.

**STATE UNEMPLOYMENT INSURANCE AND EMPLOYMENT
SERVICE OPERATIONS**

AMOUNTS AVAILABLE FOR OBLIGATION						
(Dollars in Thousands)						
	FY 2012 Revised Enacted		FY 2013 Full Year C.R.		FY 2014 Request	
	FTE	Amount	FTE	Amount	FTE	Amount
A. Appropriation	0	\$86,231	0	\$86,594	0	\$113,068
Reduction Pursuant to P.L. 112-74 for FY 2012	0	-\$163	0	\$0	0	\$0
Appropriation, Revised	0	\$86,068	0	\$86,594	0	\$113,068
Transfer from SSA:	0	\$0	0	\$0	0	\$0
<i>Subtotal Appropriation</i>	<i>0</i>	<i>\$86,068</i>	<i>0</i>	<i>\$86,594</i>	<i>0</i>	<i>\$113,068</i>
Offsetting Collections From:						
Reimbursements	0	\$10,000	0	\$10,000	0	\$10,000
Trust Funds	181	\$4,008,441	181	\$4,025,351	183	\$3,712,631
Reduction Pursuant to P.L. 112-74 for FY 2012	0	-\$7,575	0	0	0	0
<i>Subtotal Offsetting Collections</i>	<i>181</i>	<i>\$4,010,866</i>	<i>181</i>	<i>\$4,035,351</i>	<i>183</i>	<i>\$3,722,631</i>
Fees	28	\$13,000	30	\$13,000	30	\$13,000
Non-Expenditure Transfer to DM for Program Evaluation:	0	-\$15,876	0	0	0	\$0
<i>Subtotal</i>	<i>209</i>	<i>\$4,007,990</i>	<i>211</i>	<i>\$4,048,351</i>	<i>213</i>	<i>\$3,735,631</i>
B. Gross Budget Authority	209	\$4,094,058	211	\$4,134,945	213	\$3,848,699
Offsetting Collections						
Reimbursements	0	-\$10,000	0	-\$10,000	0	-\$10,000
Fees	-28	-\$13,000	-30	-\$13,000	-30	-\$13,000
Non-Expenditure Transfer to DM for Program Evaluation:	0	\$15,876	0	0	0	\$0
<i>Subtotal Offsetting Collections</i>	<i>-28</i>	<i>-\$7,124</i>	<i>-30</i>	<i>-\$23,000</i>	<i>-30</i>	<i>-\$23,000</i>
C. Budget Authority	181	\$4,086,934	181	\$4,111,945	183	\$3,825,699
Before Committee	181	\$4,086,934	181	\$4,111,945	183	\$3,825,699
Offsetting Collections From:						
Reimbursements	0	\$10,000	0	\$10,000	0	\$10,000
Fees	28	\$13,000	30	\$13,000	30	\$13,000
Non-Expenditure Transfer to DM for Program Evaluation:	0	-\$15,876	0	0	0	\$0
<i>Subtotal Offsetting Collections</i>	<i>28</i>	<i>\$7,124</i>	<i>30</i>	<i>\$23,000</i>	<i>30</i>	<i>\$23,000</i>
D. Total Budgetary Resources	209	\$4,094,058	211	\$4,134,945	213	\$3,848,699
Other Unobligated Balances	0	\$0	0	\$0	0	\$0
Unobligated Balance Expiring	2	-\$154	0	\$0	0	\$0
E. Total, Estimated Obligations	211	\$4,093,904	211	\$4,134,945	213	\$3,848,699

STATE UNEMPLOYMENT INSURANCE AND EMPLOYMENT SERVICE OPERATIONS

SUMMARY OF CHANGES

(Dollars in Thousands)

	FY 2012 Revised Enacted	FY 2014 Request	Net Change
Budget Authority			
General Funds	\$86,068	\$113,068	+\$27,000
Trust Funds	\$4,000,866	\$3,712,631	-\$288,235
Total	\$4,086,934	\$3,825,699	-\$261,235
Full Time Equivalents			
General Funds	0	0	0
Trust Funds	181	183	2
Total	181	183	2

Explanation of Change	FY 2012 Base		Trust Funds		FY 2014 Change General Funds		Total	
	FTE	Amount	FTE	Amount	FTE	Amount	FTE	Amount
Increases:								
A. Built-Ins:								
To Provide For:								
Costs of pay adjustments	181	\$16,740	0	\$183	0	\$0	0	\$183
Personnel benefits	0	\$4,911	0	\$54	0	\$0	0	\$54
One day more of pay	0	\$0	0	\$0	0	\$0	0	\$0
Benefits for former personnel	0	\$0	0	\$0	0	\$0	0	\$0
Travel and transportation of persons	0	\$20	0	\$0	0	\$0	0	\$0
Transportation of things	0	\$0	0	\$0	0	\$0	0	\$0
Rental payments to GSA	0	\$2,393	0	\$0	0	\$0	0	\$0
Rental payments to others	0	\$0	0	\$0	0	\$0	0	\$0
Communications, utilities, and miscellaneous charges	0	\$496	0	\$0	0	\$0	0	\$0
Printing and reproduction	0	\$15	0	\$0	0	\$0	0	\$0
Advisory and assistance services	0	\$0	0	\$0	0	\$0	0	\$0
Other services from non-Federal sources	0	\$14	0	\$0	0	\$0	0	\$0
Working Capital Fund	0	\$3,706	0	\$0	0	\$0	0	\$0
Other Federal sources (Census Bureau)	0	\$0	0	\$0	0	\$0	0	\$0
Other Federal sources (DHS Charges)	0	\$0	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	\$6	0	\$0	0	\$0	0	\$0
Operation and maintenance of equipment	0	\$3,250	0	\$0	0	\$0	0	\$0
Supplies and materials	0	\$408	0	\$0	0	\$0	0	\$0

STATE UNEMPLOYMENT INSURANCE AND EMPLOYMENT SERVICE OPERATIONS

Explanation of Change	FY 2012 Base		Trust Funds		FY 2014 Change General Funds		Total	
	FTE	Amount	FTE	Amount	FTE	Amount	FTE	Amount
Equipment	0	\$15	0	\$0	0	\$0	0	\$0
Grants, subsidies, and contributions	0	\$0	0	\$0	0	\$0	0	\$0
Insurance claims and indemnities	0	\$0	0	\$0	0	\$0	0	\$0
Investment and Loans	0	\$0	0	\$0	0	\$0	0	\$0
Built-Ins Subtotal	181	+\$31,974	0	+\$237	0	\$0	0	+\$237
B. Programs:								
UI State Admin – Increase for REA	0	\$59,887	0	\$50,019	0	\$0	0	\$50,019
Grants to States - Reemployment Services	0	\$678,247	0	\$30,000	0	\$0	0	\$30,000
Workforce Information Electronic Tools-System Building	0	\$63,473	0	\$0	0	\$30,000	0	\$30,000
State UI Demonstration Administration and Evaluation	0	\$0	0	\$25,000	0	\$0	0	\$25,000
UI State Admin Increase Misclassification	0	\$3,165,161	0	\$10,000	0	\$0	0	\$10,000
UI State Admin Increase Integrity Consortium	0	\$3,165,161	0	\$3,000	0	\$0	0	\$3,000
UI National Activities	0	\$11,266	0	\$31	0	\$0	0	\$31
FLC State Grants - Increase	0	\$15,070	0	\$29	0	\$0	0	\$29
Contractor Conversion	181	\$50,501	2	\$0	0	\$0	2	\$0
Programs Subtotal			2	+\$118,079	0	+\$30,000	2	+\$148,079
Total Increase	181	+\$31,974	2	+\$118,316	0	+\$30,000	2	+\$148,316
Decreases:								
A. Built-Ins:								
To Provide For:								
Advisory and assistance services	0	\$18,349	0	-\$59	0	\$0	0	-\$59
Grants, subsidies, and contributions	0	\$4,036,611	0	-\$376,586	0	\$0	0	-\$376,586
Built-Ins Subtotal	0	+\$4,054,960	0	-\$376,645	0	\$0	0	-\$376,645
B. Programs:								
REA Cap Adjustment	0	\$59,887	0	-\$29,906	0	\$0	0	-\$29,906
Workforce Information-Electronic Tools-System Building DEI Decrease	0	\$63,473	0	\$0	0	-\$3,000	0	-\$3,000
Programs Subtotal			0	-\$29,906	0	-\$3,000	0	-\$32,906
Total Decrease	0	+\$4,054,960	0	-\$406,551	0	-\$3,000	0	-\$409,551
Total Change	181	+\$4,086,934	2	-\$288,235	0	+\$27,000	2	-\$261,235

NOTE: FY 2012 reflects actual FTE.

**STATE UNEMPLOYMENT INSURANCE AND EMPLOYMENT
SERVICE OPERATIONS**

SUMMARY BUDGET AUTHORITY AND FTE BY ACTIVITY								
(Dollars in Thousands)								
	FY 2012 Revised Enacted		FY 2013 Full Year C.R.		FY 2014 Request		Diff. FY 14 Request / FY 12 Rev. Enacted	
	FTE	Amount	FTE	Amount	FTE	Amount	FTE	Amount
Unemployment Insurance	0	3,236,314	0	3,256,119	0	2,917,872	0	-318,442
Unemployment Trust Funds	0	3,236,314	0	3,256,119	0	2,917,872	0	-318,442
State Administration	0	3,165,161	0	3,184,531	0	2,801,575	0	-363,586
Unemployment Trust Funds	0	3,165,161	0	3,184,531	0	2,801,575	0	-363,586
Reemployment Eligibility Assessments- UI Integrity	0	59,887	0	60,253	0	80,000	0	20,113
Unemployment Trust Funds	0	59,887	0	60,253	0	80,000	0	20,113
State UI Demonstration Administration and Evaluation	0	0	0	0	0	25,000	0	25,000
Unemployment Trust Funds	0	0	0	0	0	25,000	0	25,000
Average Weekly Insured Unemployment	0	0	0	0	0	0	0	0
National Activities	0	11,266	0	11,335	0	11,297	0	31
Unemployment Trust Funds	0	11,266	0	11,335	0	11,297	0	31
Employment Service	0	721,754	0	726,171	0	751,754	0	30,000
General Funds	0	22,595	0	22,733	0	22,595	0	0

**STATE UNEMPLOYMENT INSURANCE AND EMPLOYMENT
SERVICE OPERATIONS**

SUMMARY BUDGET AUTHORITY AND FTE BY ACTIVITY								
(Dollars in Thousands)								
	FY 2012 Revised Enacted		FY 2013 Full Year C.R.		FY 2014 Request		Diff. FY 14 Request / FY 12 Rev. Enacted	
	FTE	Amount	FTE	Amount	FTE	Amount	FTE	Amount
Unemployment Trust Funds	0	699,159	0	703,438	0	729,159	0	30,000
Grants to States	0	700,842	0	705,131	0	730,842	0	30,000
General Funds	0	22,595	0	22,733	0	22,595	0	0
Unemployment Trust Funds	0	678,247	0	682,398	0	708,247	0	30,000
Employment Service National Activities	0	20,912	0	21,040	0	20,912	0	0
Unemployment Trust Funds	0	20,912	0	21,040	0	20,912	0	0
Foreign Labor Certification	181	65,393	181	65,793	183	65,600	2	207
Unemployment Trust Funds	181	65,393	181	65,793	183	65,600	2	207
Federal Administration	181	50,323	181	50,631	183	50,501	2	178
Unemployment Trust Funds	181	50,323	181	50,631	183	50,501	2	178
FLC State Grants	0	15,070	0	15,162	0	15,099	0	29
Unemployment Trust Funds	0	15,070	0	15,162	0	15,099	0	29
Workforce Information- Electronic Tools-System Building	0	63,473	0	63,861	0	90,473	0	27,000

**STATE UNEMPLOYMENT INSURANCE AND EMPLOYMENT
SERVICE OPERATIONS**

SUMMARY BUDGET AUTHORITY AND FTE BY ACTIVITY								
(Dollars in Thousands)								
	FY 2012 Revised Enacted		FY 2013 Full Year C.R.		FY 2014 Request		Diff. FY 14 Request / FY 12 Rev. Enacted	
	FTE	Amount	FTE	Amount	FTE	Amount	FTE	Amount
General Funds	0	63,473	0	63,861	0	90,473	0	27,000
Total	181	4,086,934	181	4,111,944	183	3,825,699	2	-261,235
General Funds	0	86,068	0	86,594	0	113,068	0	27,000
Unemployment Trust Funds	181	4,000,866	181	4,025,350	183	3,712,631	2	-288,235

NOTE: FY 2012 reflects actual FTE.

**STATE UNEMPLOYMENT INSURANCE AND EMPLOYMENT
SERVICE OPERATIONS**

BUDGET AUTHORITY BY OBJECT CLASS					
(Dollars in Thousands)					
		FY 2012 Revised Enacted	FY 2013 Full Year C.R.	FY 2014 Request	Diff. FY14 Request / FY 12 Rev. Enacted
	Full-Time Equivalent				
	Full-time Permanent	181	181	183	2
	Other	28	30	30	2
	Total	209	211	213	4
	Average ES Salary	\$159,873	\$159,873	\$159,873	\$0
	Average GM/GS Grade	12	12	12	0
	Average GM/GS Salary	\$90,690	\$91,375	\$91,188	\$498
	Average Salary of Ungraded Positions	0	0	0	0
11.1	Full-time permanent	16,573	16,573	13,756	-2,817
11.3	Other than full-time permanent	0	0	0	0
11.5	Other personnel compensation	167	167	167	0
11.9	Total personnel compensation	16,740	16,740	13,923	-2,817
12.1	Civilian personnel benefits	4,911	4,911	4,965	54
13.0	Benefits for former personnel	0	0	0	0
21.0	Travel and transportation of persons	20	20	20	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	2,393	2,393	2,393	0
23.2	Rental payments to others	0	0	0	0
23.3	Communications, utilities, and miscellaneous charges	496	496	496	0
24.0	Printing and reproduction	15	15	15	0
25.1	Advisory and assistance services	18,349	18,657	18,290	-59
25.2	Other services from non-Federal sources	14	14	14	0
25.3	Other goods and services from Federal sources 1/	3,706	3,706	3,706	0
25.4	Operation and maintenance of facilities	6	6	6	0
25.5	Research and development contracts	0	0	0	0
25.7	Operation and maintenance of equipment	3,250	3,250	3,250	0
26.0	Supplies and materials	408	408	408	0
31.0	Equipment	15	15	15	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	4,036,611	4,061,313	3,778,198	-258,413
42.0	Insurance claims and indemnities	0	0	0	0
	Total	4,086,934	4,111,944	3,825,699	-261,235
	1/Other goods and services from Federal sources				
	Working Capital Fund	3,706	3,706	3,706	0

STATE UNEMPLOYMENT INSURANCE AND EMPLOYMENT SERVICE OPERATIONS

PERFORMANCE STRUCTURE

Strategic and Outcome Goals Supporting <i>Good Jobs for Everyone</i>	Supporting Appropriations
Strategic Goal 1 – Prepare Workers for Good Jobs and Ensure Fair Compensation	
1.1 Increase workers’ incomes and narrowing wage and income inequality.	<ul style="list-style-type: none"> • Training and Employment Service • Federal Unemployment Benefits and Allowances • Job Corps • State Unemployment Insurance & Employment Service Operations
1.2 Assure skills and knowledge that prepare workers to succeed in a knowledge-based economy, including in high-growth and emerging industry sectors like “green” jobs.	<ul style="list-style-type: none"> • Training and Employment Service • Job Corps • State Unemployment Insurance & Employment Service Operations • Trade Adjustment Assistance Community College and Career Training Grant Fund
1.3 Help workers who are in low-wage jobs or out of the labor market find a path into middle class jobs.	<ul style="list-style-type: none"> • Training and Employment Service • Federal Unemployment Benefit and Allowances • Job Corps • State Unemployment Insurance & Employment Service Operations
1.4 Help middle-class families remain in the middle class.	<ul style="list-style-type: none"> • Training and Employment Service • Federal Unemployment Benefit and Allowances
1.5 Secure wages and overtime.	<ul style="list-style-type: none"> • State Unemployment Insurance & Employment Service Operations
1.6 Foster acceptable work conditions and respect for workers’ rights in the global economy to provide workers with a fair share of productivity and protect vulnerable people.	
Strategic Goal 2 – Ensure Workplaces Are Safe and Healthy	

STATE UNEMPLOYMENT INSURANCE AND EMPLOYMENT SERVICE OPERATIONS

2.1 Secure safe and healthy workplaces, particularly in high-risk industries.	
Strategic Goal 3 – Assure Fair and High Quality Work-Life Environments	
3.1 Break down barriers to fair and diverse work places so that every worker’s contribution is respected.	
3.2 Provide workplace flexibility for family and personal care-giving.	
3.3 Ensure worker voice in the workplace.	
Strategic Goal 4 – Secure Health Benefits and, for Those Not Working, Provide Income Security	
4.1 Facilitate return to work for workers experiencing workplace injuries or illnesses who are able to work.	
4.2 Ensure income support when work is impossible or unavailable.	<ul style="list-style-type: none"> • State Unemployment Insurance & Employment Service Operations
4.3 Improve health benefits and retirement security for all workers.	
Strategic Goal 5 – Assure the Production of Timely and Accurate Data on Social and Economic Conditions of Workers and their Families	
5.1 Provide sound and impartial information on labor market activity, working conditions, and price changes in the economy for decision making, including support for the formulation of economic and social policy affecting virtually all Americans.	

STATE UNEMPLOYMENT INSURANCE AND EMPLOYMENT SERVICE OPERATIONS

APPROPRIATION HISTORY (Dollars in Thousands)					
	Budget Estimates to Congress	House Allowance	Senate Allowance	Appropriations	FTE
2004					
Base Appropriation...1/	\$3,646,783	\$3,615,381	\$3,620,552	\$3,587,904	0
2005					
Base Appropriation...2/	\$3,593,434	\$3,582,848	\$3,636,235	\$3,636,709	0
2006					
Base Appropriation...3/	\$3,470,366	\$3,470,366	\$3,361,779	\$3,358,157	0
2007					
Base Appropriation	\$3,435,717	\$3,435,717	\$3,435,717	\$3,340,350	0
2008					
Base Appropriation...4/ 5/	\$3,338,753	\$3,382,614	\$3,386,632	\$3,265,883	75
Supplemental	\$0	\$0	\$0	\$110,000	0
Scorekeeping Adjustments	-\$4,100	\$0	\$0	\$0	0
2009					
Base Appropriation...6/ 7/	\$2,782,914	\$0	\$3,692,363	\$3,694,865	181
2010					
Base Appropriation	\$4,101,556	\$4,097,056	\$4,113,806	\$4,113,681	181
2011					
Base Appropriation...8/	\$4,435,327	\$0	\$0	\$4,102,672	189
2012					
Base Appropriation...9/	\$4,202,057	\$0	\$0	\$4,086,935	209
2013					
Base Appropriation	\$3,962,240	\$0	\$0	\$0	0
2014					
Base Appropriation	\$3,815,696	\$0	\$0	\$0	0

1/ Reflects the Conference action including a rescission of 0.59% and a Labor/HHS rescission of \$183. It also includes \$68,640,000 for the estimated use of the AWIU contingency trigger, but no contingency funds were released in FY 2004. Excludes \$5,000,000 transfer from ES national activities to ETA Program Administration.

2/ Reflects a 0.8% government wide rescission and a \$198,000,000 of the Labor/HHS rescission.

3/ Reflects a 1.0% government wide rescission pursuant to P.L. 109-148.

4/ Reflects 1.747% rescission.

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

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

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

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

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

STATE UNEMPLOYMENT INSURANCE AND EMPLOYMENT SERVICE OPERATIONS

SUIESO Introduction

State Unemployment Insurance and Employment Service Operations (SUIESO) programs provide critical support for U.S. workers. SUIESO funds are allocated to States on a Federal-state partnership basis to administer programs that provide temporary assistance for unemployed workers, job search assistance for those seeking employment, certification of statutory compliance for permanent or temporary foreign workers, and to increase the capacity of the public workforce system.

Programmatic activities under the SUIESO account include the Unemployment Insurance program which provides temporary wage replacement for unemployed workers, and the U.S. Employment Service 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 to achieve or maintain middle class jobs.

The Department's activities funded under the SUIESO account contribute to all three of the FY 2014 Priority Activities. Specifically, the U.S. Employment Service program will make job seekers more competitive by providing services to low-skilled adults. The Office of Foreign Labor Certification will serve the needs of industry for qualified workers with protections for American job seekers by administering employment-based immigration programs. The Unemployment Insurance program will continue to maintain a strong and viable safety net to facilitate reemployment.

UNEMPLOYMENT INSURANCE

BUDGET AUTHORITY BEFORE THE COMMITTEE				
(Dollars in Thousands)				
	FY 2012 Revised Enacted	FY 2013 Full Year C.R.	FY 2014 Request	Diff. FY 14 Request / FY 12 Rev. Enacted
Activity Appropriation	3,236,314	3,256,119	2,917,872	-318,442
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 workers who have been temporarily or permanently laid off from their jobs. To be eligible for benefits, unemployed workers must have recently worked, be involuntarily unemployed through no fault of their own, and be able to and available for work. An integral part of the public workforce investment system, the UI program is the entry point for unemployed workers to the America’s Job Center services that speed their return to work. Reemployment is crucial to maintaining workers’ long-term economic security.

The UI program is a lifeline 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 most recent recession. The study concluded that, on average, each \$1.00 of UI benefits spent generated \$2.00 in economic activity and that the program, including benefit extensions, boosted employment by 1.6 million jobs.

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 benefit programs through the UI State Administration account. UI National Activities provide funds with which the Department supports the states collectively in administering state UI programs. Funding for Reemployment and Eligibility Assessments supports states conducting in-person interviews with selected UI beneficiaries – promoting faster reemployment through America’s Job Centers and reducing improper UI payments by ensuring that eligibility requirements are met.

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

The following are the primary areas of strategic focus for the UI program in FY 2014:

- Improving UI integrity by employing strategies to prevent, detect, and recover improper payments;

UNEMPLOYMENT INSURANCE

- Improving program performance and accountability by partnering with the National Association of State Workforce Agencies to develop and implement action strategies and provide technical assistance to states; and
- Effectively deploying re-employment strategies to ensure UI claimants have access to the full continuum of available services.

FY 2014

The FY 2014 Budget Request includes several legislative proposals designed to improve program integrity and enable states to more effectively carry out activities designed to prevent, detect, and recover improper payments.

The first of these proposals will increase states' use of the Treasury Offset Program (TOP) to recover overpayments. TOP is operated by the United States Department of the Treasury and allows states to recover certain Unemployment Compensation (UC) debts from an individual's federal income tax refund. The debts subject to collection would relate to erroneous UC payments due to fraud as well as certain non-fraudulent debts where the claimant is found to be at fault for the overpayment.

The second proposal mandates States' use of the State Information Data Exchange System (SIDES) to reduce improper payments. SIDES provides a standardized and secure electronic platform for the transmission of employer-provided data on the reasons individuals separated from employment – thereby allowing state UI agencies, employers, and third-party administrators to reduce costs and improve the timeliness and accuracy of UC claims processing.

The third proposal seeks to avoid paying UI benefits to incarcerated individuals. Legislation will be proposed to require states to cross-match UI claimants with the Prisoner Update Processing System (PUPS) database housed at the Social Security Administration.

Also included in the FY 2014 Budget request is a proposal to address the solvency crisis in the UI system. The economic downturn continues to severely test the adequacy of States' UI systems, forcing States to borrow to continue paying benefits. These debts are now being repaid through additional taxes on employers, undermining much-needed job creation. To provide short-term relief to employers in these states, the 2014 Budget proposes a suspension of interest on State UI borrowing in 2013 and 2014 and an accompanying suspension of the FUTA credit reduction (an automatic debt repayment mechanism) for those years. To address the need for States to return their unemployment trust funds to solvency, the FY 2014 Budget also proposes to increase the FUTA taxable wage base to \$15,000 starting in 2016 and index it to average wages thereafter. States with lower wage bases will need to adjust their UI tax structures. The FUTA tax rate will be returned to 0.8% in 2014 to strengthen the solvency of the Federal trust fund accounts, and subsequently lowered in 2016 in a revenue-neutral way. This package will encourage States to put their UI systems on a firmer financial footing for the future, while preventing an unnecessary burden on employers in the short-term as the economy recovers.

UNEMPLOYMENT INSURANCE

Five-Year Budget Activity History

<u>Fiscal Year</u>	<u>Funding</u> (Dollars in Thousands)	<u>FTE</u>
2009	\$2,833,455	0
2010	\$3,256,955	0
2011	\$3,250,441	0
2012	\$3,236,314	0
2013	\$3,256,119	0

UNEMPLOYMENT INSURANCE

DETAILED WORKLOAD AND PERFORMANCE					
		FY 2012 Revised Enacted		FY 2013 Full Year C.R.	FY 2014 Request
		Target	Result	Target	Target
Unemployment Insurance					
Unemployment Insurance					
Strategic Goal 1 - Prepare workers for good jobs and ensure fair compensation.					
Outcome Goal 1.3 - Help workers in low-wage jobs or out of the labor market find a path into middle class jobs.					
ETA-CH2-UI-GPRA-04	Facilitate Claimant Reemployment: Percent of UI claimants reemployed by the end of the first quarter after quarter in which they received first payment.	56.40%	62.60%	59.40%	64.70%
Strategic Goal 4 - Secure health benefits and, for those not working, provide income security.					
Outcome Goal 4.2 - Ensure income support when work is impossible or unavailable.					
ETA-CH2-UI-GPRA-01	Payment Timeliness: Percent of all intrastate first payments that will be made within 21 days.	85.70%	82.90%	87.00%	87.10%
ETA-CH2-UI-GPRA-02	Detect Overpayments: Percent of the amount of estimated overpayments that States detect established for recovery.	52.30%	64.90%	54.10%	54.20%
ETA-CH2-UI-GPRA-03	Percent of Employer Liability Determinations Made Promptly: Percentage of determinations about UI tax liability of new employers made within 90 days of the end of the first quarter they became liable.	86.9%	88.7%	88.4%	88.9%
	Employer Tax Accounts (in thousands)	--	7,655	7,733	7,843
	Initial Claims Taken (in thousands)	--	21,185	20,257	20,896

UNEMPLOYMENT INSURANCE

DETAILED WORKLOAD AND PERFORMANCE					
		FY 2012 Revised Enacted		FY 2013 Full Year C.R.	FY 2014 Request
		Target	Result	Target	Target
	Weeks Claimed (in thousands)	--	197,654	175,971	173,136
	Improper Payment Rate*	11.29%	11.89%	9.23%	9.13%
ETA-CH2-UI-02	Overpayment Annual Report Rate*	10.58%	11.31%	8.59%	8.49%
	Underpayment Rate*	0.71%	0.58%	0.64%	0.64%
ETA-CH2-UI-VII-03 (Hist. ETA-CH2-UI-03)	Overpayment Operational Rate*	5.98%	5.96%	5.57%	5.47%
ETA-CH2-UI-VII-04 (Hist. ETA-CH2-UI-04)	Benefit Year Earning (BYE) Overpayments Rate*	3.12%	3.24%	2.83%	2.73%
ETA-CH2-UI-VII-05 (Hist. ETA-CH2-UI-05)	Separation Issues Overpayments Rate*	2.22%	2.17%	2.17%	2.17%
ETA-CH2-UI-VII-06 (Hist. ETA-CH2-UI-06)	Employment Service (ES) Registration Overpayments Rate*	0.97%	0.98%	0.91%	0.81%

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. The Department projects a decrease in the number of initial claims taken and weeks claimed—from 21,185,000 and 197,654,000 in FY 2012 to 20,896,000 and 173,136,000 in FY 2014, respectively, and an increase in the number of employer tax accounts—from 7,655,000 in FY 2012 to 7,843,000 in FY 2014. It is important to note that UI workload volumes are influenced by economic conditions, not the administrative funds available. As workloads are processed by the States, however, funding levels do affect the quality and timeliness of State UI operations.

UNEMPLOYMENT INSURANCE

BUDGET ACTIVITY BY OBJECT CLASS					
(Dollars in Thousands)					
		FY 2012 Revised Enacted	FY 2013 Full Year C.R.	FY 2014 Request	Diff. FY14 Request / FY 12 Rev. Enacted
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
25.7	Operation and maintenance of equipment	0	0	0	0
31.0	Equipment	0	0	0	0
41.0	Grants, subsidies, and contributions	3,236,314	3,256,119	2,917,872	-318,442
	Total	3,236,314	3,256,119	2,917,872	-318,442

UNEMPLOYMENT INSURANCE

CHANGES IN FY 2014

(Dollars in Thousands)

Activity Changes

Built-In

To Provide For:

Costs of pay adjustments	\$0
Advisory and assistance services	0
Operation and maintenance of equipment	0
Equipment	0
Grants, subsidies, and contributions	-376,586

Built-Ins Subtotal **-\$376,586**

Net Program **\$58,144**

Direct FTE **0**

	Estimate	FTE
Base	\$2,859,728	0
Program Increase	\$88,050	0
Program Decrease	-\$29,906	0

STATE ADMINISTRATION

BUDGET AUTHORITY BEFORE THE COMMITTEE				
(Dollars in Thousands)				
	FY 2012 Revised Enacted	FY 2013 Full Year C.R.	FY 2014 Request	Diff. FY 14 Request / FY 12 Rev. Enacted
Activity Appropriation	3,165,161	3,184,531	2,801,575	-363,586
FTE	0	0	0	0

Introduction

States have direct responsibility for administering the UI program and for establishing specific 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 Federal regulations. The major functions performed by the States are: (1) determining benefit eligibility; (2) paying benefits; and (3) collecting state UI taxes from employers.

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

As part of its Operating Plan, the Department has developed strategic action plans in three key areas to promote program and performance improvement: 1) program accountability and performance; 2) program integrity and reduction of improper payments; and 3) reemployment of UI claimants.

The UI program has established four performance goals for FY 2014 focusing on these target areas:

- 1) Payment Timeliness: 87.1 percent of all State UI intrastate first payments for weeks of full unemployment are made within 14/21 days.

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

- 2) Detection of Overpayments (previously known as "Payment Accuracy"): Establish for recovery at least 54.2 percent of the amount of estimated regular program overpayments that states can detect and recover.

It is essential to UI program integrity that benefits are paid only to those who meet eligibility requirements and that erroneous payments are detected and recovered.

STATE ADMINISTRATION

3) **Facilitate Reemployment:** This performance indicator measures the percentage of UI claimants who are reemployed during the first quarter after the quarter in which they received their first UI payment. The FY 2014 target has been set at 64.7 percent.

Reemployment in suitable jobs is one of the underlying purposes of the UI program. Although the UI program does not provide reemployment services directly, many of its payment eligibility provisions, such as work search and Employment Service registration requirements, are designed to promote reemployment.

4) **Establish Tax Accounts Promptly:** 88.9 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 securing the timely payment of the taxes that fund UI benefits and making timely and accurate eligibility determinations based on employer-reported wages.

Past Performance Results and Future Projections

1) **Payment Timeliness:** Performance fell below the FY 2012 target of 85.7 percent; 82.9 percent of first payments were made within 14/21 days, down from the FY 2011 level of 84.6 percent. Payment timeliness declined in 29 states, with four states experiencing double-digit declines.

The decrease in timeliness in 2012 occurred despite a continuing decrease in workload, which typically is associated with improvement in this measure. The decline in performance by states has been attributed to staff layoffs associated with a reduction in administrative funding resulting from lower workloads in temporary federal UI programs, staff turnover and lack of trained staff to make claim-eligibility determinations, address IT system issues, and process the backlogs in the claims-taking and adjudication units. New initial claims for regular UI and Extended Benefits (EB) decreased by 16% from FY 2011 and EUC claims fell by 23%. The economic outlook for FY 2013 and FY 2014 indicates that unemployment rates are projected to decline to 7.8 percent and 7.3 percent, respectively, from FY 2012's 8.2 percent – providing for expected improvement in the payment timeliness measure. Even before the projected improvement in the labor market, FY 2012 and FY 2013 targets for this measure were set above the FY 2011 performance level; reflecting ETA's targeted efforts to raise performance in a few chronically underperforming states and enabling the FY 2013 and 2014 targets to be met.

2) **Detection of Overpayments:** States detected and established for recovery 64.9 percent of estimated overpayments, exceeding the FY 2012 target of 52.3 percent. Statistical analysis of this measure suggests that gradual improvement in the economy should result in improved performance for this measure. The overpayment establishment component of the measure is quite sensitive to economic conditions. Improvement in the labor market should result in a decrease in benefit payments and a reduction in the total amount overpaid. Lower claims volumes should also result in less diversion of state Benefit Payment Control (BPC) staff from integrity to claims-taking functions, which should improve overpayment detection. Additionally,

STATE ADMINISTRATION

the Department has developed a comprehensive plan including targeted strategies to improve the prevention, detection, and recovery of improper payments by States. These factors are reflected in rising targets for FY 2013 and FY 2014.

Statistical model results indicate, however, that the improvement in labor market conditions was far too gradual to account for the 7-point increase in performance experienced between FY 2011 and FY 2012. The model results suggest that majority of the performance increase from FY 2011 to FY 2012 resulted from the increase in EB overpayments; EB payments rose from \$4 million in FY 2008 to \$8.0 billion in 2010, and \$11.9 billion in 2011. This is because EB overpayment establishments reported on the ETA 227 report prior to March 2012 were not reported separately from State UI, UCFE, and UCX program overpayments, whereas the Benefit Accuracy Measurement survey excludes EB payments. Thus, EB overpayments are included in established overpayments – the numerator of the detection of overpayments ratio – but not in the denominator. Although states began reporting EB overpayments separately on the revised the ETA 227 report – some as early as the January-to-March quarter of 2012 – 2012 reports reflect incomplete implementation of the ETA 227 revisions. Beginning in FY 2013, revised 227 data will eliminate any inflation of the measure due to the inclusion of EB overpayments.

3) Facilitate Reemployment: In fiscal year 2011, 59.7 percent of UI claimants were reemployed in the calendar quarter following the quarter in which they received their first UI payment; for the year ending June 30, 2012 (latest data available), that measure had risen to 62.6 percent. The most recent performance exceeded the FY 2012 target of 56.4 percent and represents an increase of about 3 percentage points from the FY 2011 level.

Analysis indicates that state reemployment rates are significantly influenced by factors outside the control of the state agencies administering the UI program, most notably economic conditions as measured by the Total Unemployment Rate (TUR). Regression analysis of time series data indicates that the reemployment rate rises about 2.5 - 3 percentage points for every one-point decline in the unemployment rate, and has a significant upward trend. This trend captures unmeasured factors, including state reemployment efforts. Movements in these two factors account for most of the 3-point rise in reemployment from FY 2011 to the year ending June 30, 2012 – with about 60% due to declines in the TUR.

The Department continues to aggressively focus on reemployment strategies for UI claimants. These strategies include Reemployment and Eligibility Assessments (REAs) – in which 42 states are currently participating in pilot demonstrations and projects, and the implementation of a national vision on reemployment that promotes and supports states' integrated service delivery to all jobseekers, with an emphasis on UI claimants.

4) Establish Tax Accounts Promptly: In FY 2012, 88.7 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 1.5 percentage points from FY 2011 and exceeded the 86.9 percent target. Performance improved in 33 states.

Statistical studies have indicated that new status timeliness measures reflect a significant upward trend since 1997, driven largely by improvements in automation and the adoption of best

STATE ADMINISTRATION

practices. The recent recession temporarily disrupted the persistent upward trend as many states reassigned staff from tax to UI claims functions in response to sharply increased claims workloads. This caused status determinations timeliness to decline in FY 2008 and FY 2009. Staff diversion seems to have since moderated and status performance has resumed its upward trajectory – a trend expected to continue through FY 2014.

Five-Year Budget Activity Component History

<u>Fiscal Year</u>	<u>Funding</u> (Dollars in Thousands)	<u>FTE</u>
2009	\$2,772,145	0
2010	\$3,195,645	0
2011	\$3,189,254	0
2012	\$3,165,161	0
2013	\$3,184,531	0

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 administrative funding allocations for states, the Department uses state-specific information that directly relates to the cost of administration in each state including the number of claims processed, the average amount of time required to process a claim, the number of employers subject to the UI tax, personnel costs, the number of wage records processed, non-personal services, such as rents and utilities, and costs related to overhead. The funding formula is designed to provide each state with an amount that will support a roughly equal level of services across states to beneficiaries and employers.

FY 2014

The FY 2014 Budget Request for UI State Administration is \$2,801,575,000. The funds requested are sufficient to process, on average, 3,357,000 continued claims per week (referred to as the average weekly insured unemployment (AWIU)) and includes processing benefit payments made under the Trade Act of 1974, as amended. During the year, states are expected to collect \$51.5 billion in state unemployment taxes and pay an estimated \$52.3 billion in Federal and State UI benefits to 11.8 million beneficiaries, including former federal military and civilian personnel, recipients of federal-state extended benefits, and workers adversely affected by foreign trade who may be eligible for benefits under the Trade Act.

STATE ADMINISTRATION

The request continues the contingency reserve language which provides for additional funds to meet unanticipated workload. The formula for FY 2014 finances \$28,600,000 for each 100,000 increase in the total AWIU. In addition, the appropriation language for FY 2014 allows states up to three years to obligate their UI funds if those funds are used for automation activities, competitive grants awarded to States for improved operations, or reemployment and eligibility assessments and improper payments – effectively allowing states to obligate FY 2014 funds used for these purposes until September 30, 2016.

The FY 2014 UI State Administration request includes \$10,000,000 for a high performance award program designed to incent states to improve worker misclassification efforts. Modeled on a successful (SNAP) Supplemental Nutrition Assistance Program, this initiative will provide a “high performance bonus” to the States most successful at detecting and prosecuting employers that fail to pay their proper share of UI taxes due to worker misclassification and other illegal tax schemes that deny the Federal and State UI Trust Funds hundreds of millions of dollars annually. States will be able to use these incentive funds to upgrade their misclassification detection and enforcement programs. As part of this initiative, States would be required to capture and report outcomes and cost/benefit information to enable the evaluation of new strategies.

The FY 2014 UI State Administration request also includes \$3,000,000 for continued support of 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. The activities of this Center supplement and support, not duplicate, activities that states are already implementing to reduce UI improper payments by 1) providing states with sophisticated data analytics tools to rapidly alert them of fraud schemes; 2) supporting ongoing knowledge-sharing among states through the identification and dissemination of integrity practices across the UI program; and 3) increasing state staff capacity by developing and providing centralized training on fraud solutions and integrity strategies. The Center supports the goals of the Improper Payments Elimination and Recovery Act of 2010 (IPERA), the June 2010 Presidential Memorandum *Enhancing Payment Accuracy Through a “Do Not Pay List”*, and OMB Memorandum M-12-11 by leveraging data analytics and predictive modeling tools to reduce improper payments.

FY 2013

Figures shown for FY 2013 reflect the annualized Continuing Resolution (P.L. 112-175) as a full-year appropriation, which had not been replaced or amended at the time the budget was produced. In addition, these numbers do not reflect the impact of sequestration. The operating plans for Department of Labor programs for FY 2013 including sequestration are being provided to the Committee in a separate communication.

FY 2012

\$3,165,142,000 was appropriated for UI State Administration in FY 2012, a decrease of \$14,112,000 from the FY 2011 appropriation. During FY 2012, State agencies collected \$59.4 billion in state unemployment taxes and paid \$91.5 billion in Federal and State unemployment benefits to 13.8 million beneficiaries.

STATE ADMINISTRATION

CHANGES IN FY 2014

(Dollars in Thousands)

Activity Changes

Built-In

To Provide For:

Costs of pay adjustments	\$0
Operation and maintenance of equipment	0
Grants, subsidies, and contributions	-376,586

Built-Ins Subtotal **-\$376,586**

Net Program **\$13,000**

Direct FTE **0**

	Estimate	FTE
Base	\$2,788,575	0
Program Increase	\$13,000	0

STATE UI DEMONSTRATION ADMINISTRATION AND EVALUATION

BUDGET AUTHORITY BEFORE THE COMMITTEE				
(Dollars in Thousands)				
	FY 2012 Revised Enacted	FY 2013 Full Year C.R.	FY 2014 Request	Diff. FY 14 Request / FY 12 Rev. Enacted
Activity Appropriation	0	0	25,000	25,000
FTE	0	0	0	0

Introduction

The Middle Class Tax Relief and Job Creation Act of 2012 authorized pilot programs for new and innovative strategies to help connect unemployed Americans with work. Specifically, the Act allows the Secretary of Labor to enter into agreements with up to ten states to conduct demonstration projects to test and evaluate measures designed to expedite the reemployment of individuals receiving unemployment compensation or improve the state’s effectiveness in carrying out state law with respect to reemployment.

Demonstration projects may be for two specific types of activities: 1) subsidies for employer-provided training, such as wage subsidies; or 2) direct disbursements to certain employers who hire individuals receiving unemployment compensation. Demonstration projects funded under this initiative may not result in “any increased net costs” to the state’s account in the Unemployment Trust Fund (UTF).

States conducting demonstration projects under this initiative will be required to conduct an impact evaluation of the project using an appropriate methodology to determine the effects of the project on individual skill levels, earnings, and employment retention. States will also be required to meet reporting requirements prescribed by the Secretary of Labor.

Five-Year Budget Activity Component History

<u>Fiscal Year</u>	<u>Funding</u> (Dollars in Thousands)	<u>FTE</u>
2009	\$0	0
2010	\$0	0
2011	\$0	0
2012	\$0	0
2013	\$0	0

Funding Mechanism

Funding will be issued through a competitive grant process whereby state applications are submitted and, upon review and evaluation, approved projects are awarded to state agencies. Approved projects must operate for at least one calendar year, but no more than three years. The Secretary must approve or deny applications within 30 days of submission or the application is deemed to be approved.

STATE UI DEMONSTRATION ADMINISTRATION AND EVALUATION

FY2014

The FY 2014 Budget requests \$25,000,000 for competitive grants to States to administer demonstration projects promoting the reemployment of workers as authorized in Section 2102 of the Middle Class Tax Relief and Job Creation Act of 2012. These grants will support the administration and evaluation of demonstration projects in up to ten states, including demonstrations relating to employer-provided training and to employers who hire and retain individuals receiving unemployment compensation.

STATE UI DEMONSTRATION ADMINISTRATION AND EVALUATION

CHANGES IN FY 2014

(Dollars in Thousands)

Activity Changes

Built-In

To Provide For:

Costs of pay adjustments	\$0
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Advisory and assistance services	0
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Grants, subsidies, and contributions	0
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Built-Ins Subtotal	\$0
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Net Program	\$25,000
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Direct FTE	0
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	Estimate	FTE
Base	\$0	0
Program Increase	\$25,000	0

REEMPLOYMENT AND ELIGIBILITY ASSESSMENTS

BUDGET AUTHORITY BEFORE THE COMMITTEE				
(Dollars in Thousands)				
	FY 2012 Revised Enacted	FY 2013 Full Year C.R.	FY 2014 Request	Diff. FY 14 Request / FY 12 Rev. Enacted
Activity Appropriation	59,887	60,253	80,000	20,113
FTE	0	0	0	0

* The amounts displayed represent the “not less than” amounts for this activity. Additional funds were awarded in FY 2012 and final amounts for FY 2013 have not yet been determined.

Introduction

Reemployment and Eligibility Assessments (REAs) are in-person interviews with selected UI beneficiaries; the purpose of these in-person interviews is to review beneficiaries’ efforts to find new employment and meet other state UI eligibility requirements, refer them to reemployment services or training if needed, and provide labor market information to aid in their job search. Research has shown that similar services reduce UI duration and save UI trust fund resources by helping beneficiaries find jobs faster and by eliminating payments to ineligible individuals.

Five-Year Budget Activity Component History

<u>Fiscal Year</u>	<u>Funding</u> (Dollars in Thousands)	<u>FTE</u>
2009	\$50,000	0
2010	\$50,000	0
2011	\$49,900	0
2012	\$59,887	0
2013	\$60,253	0

Funding Mechanism

States will receive funding based on proposals they submit to the Department in accordance with Departmental guidance to the States. States participating in the initiative in FY 2014 will describe how they will continue or expand their REA initiatives. States seeking to implement a new REA initiative will provide specifics on the REA design they propose to implement. A portion of the funds also will be available for technology-based overpayment prevention, detection, and collection activities.

FY 2014

The FY 2014 budget requests \$80,000,000 for the REA initiative, of which \$60,000,000 is included in State Administration and \$20,000,000 is requested through a discretionary cap adjustment. These resources would fund an estimated 1,352,000 scheduled REAs – thereby helping unemployed claimants return to work faster and reducing improper payments. This level of REA support is projected to save State UI Trust Funds an estimated \$315,000,000 and support the planned expansion of the initiative from the 42 currently participating to 45 - 50 states.

REEMPLOYMENT AND ELIGIBILITY ASSESSMENTS

The cap adjustment is part of a legislative proposal to amend the Balanced Budget and Emergency Deficit Control Act of 1985 to provide for “up to” specified annual adjustments to statutory spending limits. While this legislation requires the appropriation of the full amount needed by the States for the administration of state unemployment insurance laws, it also provides a mechanism for increased investment in the services that have been shown to reduce UI duration and save UI trust fund resources by eliminating payments to ineligible individuals and helping beneficiaries find jobs faster.

FY 2013

Figures shown for FY 2013 reflect the annualized Continuing Resolution (P.L. 112-175) as a full-year appropriation, which had not been replaced or amended at the time the budget was produced. In addition, these numbers do not reflect the impact of sequestration. The operating plans for Department of Labor programs for FY 2013 including sequestration are being provided to the Committee in a separate communication.

FY 2012

For FY 2012, a total of \$59,906,000 (\$49,906,000 plus \$10,000,000 included in State Administration) was appropriated for REAs. This amount was supplemented with an additional \$5,570,000 from supplemental budget requests out of State Administrative funds making the total amount obligated to state agencies \$65,476,000. This amount funded an estimated 980,000 scheduled REAs and saved State UI Trust Funds an estimated \$227,000,000.

REEMPLOYMENT AND ELIGIBILITY ASSESSMENTS

CHANGES IN FY 2014

(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 \$20,113

Direct FTE 0

	Estimate	FTE
Base	\$59,887	0
Program Increase	\$50,019	0
Program Decrease	-\$29,906	0

NATIONAL ACTIVITIES

BUDGET AUTHORITY BEFORE THE COMMITTEE				
(Dollars in Thousands)				
	FY 2012 Revised Enacted	FY 2013 Full Year C.R.	FY 2014 Request	Diff. FY 14 Request / FY 12 Rev. Enacted
Activity Appropriation	11,266	11,335	11,297	31
FTE	0	0	0	0

Introduction

Unemployment Insurance (UI) National Activities provides funding to support the states collectively in administering their state UI programs, which helps support the Department’s strategic goal of improving program performance and accountability. This line item is a vital component of the UI budget, supporting system functions that help ensure income support to unemployed workers.

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 Information Technology Support Center (ITSC). The mission of the ITSC, in partnership with the Department, is to support the fifty-three (53) State Workforce Agencies (SWAs) in applying automation and technology solutions to meet the needs of the UI program and related programs. The ITSC is dedicated to advancing the use of information technology (IT) to provide more accurate, efficient, cost effective, and timely service for SWA customers. The ITSC also works with individual states on a variety of projects including Call Center Design and Implementation; Adjudication Automation; Benefit and Tax Systems Reengineering and Modernization; SWA Internet Application development (Benefits, Tax, Adjudication); and American Job Center Planning.

In addition, National Activities provides funding for the Interstate Connection Network (ICON), which links state agencies for interstate and combined wage claims purposes and through which States obtain information necessary for federal civilian and military claims processing. The ICON currently facilitates the exchange of Interstate Benefits (IB) / Combined Wage Claims (CWC), wage and separation information for Unemployment Compensation for Ex-Service-members and Unemployment Compensation for Federal Employees claimants amongst SWAs, Social Security number and name verification and checking for receipt of Social Security benefits, Social Security Administration access to state information in order to cross-match with their Supplemental Security Income program, and the Wage Record Interchange System that enables states to obtain wage record information for performance measurement and consumer information purposes. Additionally, the ICON provides connectivity of state SUN systems to the national office system for the collection of state workload data and financial and performance summary reports used for oversight and monitoring purposes.

National Activities also helps support the Actuarial Team within the Office of Unemployment Insurance and SWAs by providing training in quantitative and profiling methods, maintaining and improving national budget and legislative models, producing workload forecasts for the purpose of allocating administrative resources, producing actuarial calculations for Departmental

NATIONAL ACTIVITIES

financial statements and reconciling the financial statements with state-reported data, and publishing the UI Data Summary, UI Outlook, and other reports. The funds also support the maintenance of State-specific Benefit Financing Models for 25-30 SWAs, helping states in the project and analyze the effects of various taxation, benefit-payment, and economic scenarios on their unemployment trust funds. This activity is receiving increased attention as 36 states have needed Title XII advances to replenish their UI trust funds during the most recent economic downturn, and 23 states continued to have outstanding advance balances totaling in excess of \$28 billion as of January 31, 2013.

UI National Activities also funds the development of tools and the provision of technical assistance to states to support key program priorities such as program integrity, reducing improper payments, and connecting UI claimants to reemployment services through the America's Job Center delivery system.

Five-Year Budget Activity Component History

<u>Fiscal Year</u>	<u>Funding</u> (Dollars in Thousands)	<u>FTE</u>
2009	\$11,310	0
2010	\$11,310	0
2011	\$11,287	0
2012	\$11,266	0
2013	\$11,335	0

Funding Mechanism

UI National Activities is a separate line item in the State Unemployment Insurance Operations budget request. 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 2014

For FY 2014, \$11,297,000 is requested for UI National Activities. In addition to funding activities which support states collectively, UI National Activities will support the continuation of IT upgrades and technical assistance activities that focus on three priority areas: program performance and accountability, integrity, and connecting UI claimants to reemployment services through the workforce system.

FY 2013

Figures shown for FY 2013 reflect the annualized Continuing Resolution (P.L. 112-175) as a full-year appropriation, which had not been replaced or amended at the time the budget was produced. In addition, these numbers do not reflect the impact of sequestration. The operating

NATIONAL ACTIVITIES

plans for Department of Labor programs for FY 2013 including sequestration are being provided to the Committee in a separate communication.

FY 2012

For FY 2012, \$11,266,000 was appropriated for UI National Activities, a decrease of \$21,000 from FY 2011. National Activities were used to support a wide array of state technical assistance strategies and UI system infrastructure investments, including upgrading systems for collection and storage of data. The upgrades helped ensure a secure and stable IT environment as well as provided a long run effective solution in terms of procurement and support costs. Technical assistance strategies were focused in three priority areas including program performance and accountability, integrity, and connecting UI claimants to reemployment services through the workforce system.

NATIONAL ACTIVITIES

CHANGES IN FY 2014

(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 \$31

Direct FTE 0

	Estimate	FTE
Base	\$11,266	0
Program Increase	\$31	0

EMPLOYMENT SERVICE

BUDGET AUTHORITY BEFORE THE COMMITTEE				
(Dollars in Thousands)				
	FY 2012 Revised Enacted	FY 2013 Full Year C.R.	FY 2014 Request	Diff. FY 14 Request / FY 12 Rev. Enacted
Activity Appropriation	721,754	726,171	751,754	30,000
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 the Workforce Investment Act (WIA) of 1998 to make the Employment Service part of the America's Job Center system. Under WIA, the public Employment Service has evolved from a nationwide system of state-administered local employment offices to a partner program in the integrated one-stop delivery system. Activities within the Employment Service include Employment Service Grants to States and Employment Service National Activities, funding to support Technical Assistance and Training activities, and contributions to the Federal share of State Workforce Agencies Retirement System payments.

Five-Year Budget Activity History

<u>Fiscal Year</u>	<u>Funding</u> (Dollars in Thousands)	<u>FTE</u>
2009	\$724,445	0
2010	\$724,570	0
2011	\$723,121	0
2012	\$721,754	0
2013	\$726,171	0

EMPLOYMENT SERVICE

DETAILED WORKLOAD AND PERFORMANCE					
		FY 2012 Revised Enacted		FY 2013 Full Year C.R.	FY 2014 Request
		Target	Result	Target	Target
Employment Service					
Strategic Goal 1 - Prepare workers for good jobs and ensure fair compensation.					
Outcome Goal 1.1 - Increase workers' incomes and narrow wage and income inequality.					
ETA-CH1-WPES-GPRA-03	Six Months Average Earnings	\$14,510.00	\$14,249.00	\$14,818.00	\$15,133.00
Outcome Goal 1.3 - Help workers in low-wage jobs or out of the labor market find a path into middle class jobs.					
ETA-CH1-WPES-GPRA-01	Entered Employment Rate (Employment Service)	49.90%	51.00%	50.30%	51.00%
1.3.2	Participants Served in Employment and Training Activities	16,546,000	19,257,101	16,063,966	16,243,604
1.3.3	Cost Per Participant Served in Employment and Training Activities	\$43.62	\$42.35	\$44.93	\$46.28
Outcome Goal 1.4 - Help middle-class families remain in the middle class.					
ETA-CH1-WPES-GPRA-02	Employment Retention Rate	78.10%	79.00%	78.10%	78.10%

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

EMPLOYMENT SERVICE

Workload and Performance Narrative

The main goal of the ES is to ensure that job seekers and employers have universal access to a basic labor exchange, but states also have the flexibility to provide a full array of core and intensive services. Since FY 2010, the Department has been providing additional guidance and technical assistance to states on how to improve seamless service integration with other ETA programs such as WIA services (including training), unemployment insurance and American Job Center partner programs. During the most recent recession, the demand for all services provided through the American Job Center system, including online workforce information services and staff-assisted services, increased substantially nationwide. Resources have thus shifted to: building the capacity of the system; increasing the capacity of front-line staff to more effectively provide career counseling and assessment services; building on promising approaches developed through the Recovery Act-funded Reemployment Services; working with States to help them utilize technology more effectively; and supporting targeted service delivery to small businesses. All of these activities are intended to further the goal of preparing workers for good jobs.

The PY 2012-2014 targets for the entered employment rate, the employment retention rate and six months average earnings are based on a methodology developed by the Department for setting national performance targets using regression analysis. This regression uses the most recent program results available, current labor market conditions and individual characteristics to correct for the effects of the business cycle and labor market conditions on the outcomes of employment and training programs, producing targets that objectively reflect the impact of the economic environment on program performance. Targets were set based on the estimated effect of unemployment rates on program performance outcomes and Office of Management and Budget's assumptions about future unemployment rates and the Consumer Price Index - All Urban Consumers (CPI-U). The base for setting performance targets was the performance results for PY 2009. Performance outcomes are aligned with the unemployment rates and CPI-U within the quarters for which each measure is derived for the outcome in each program year. For instance, in PY 2010, the time period reported for the entered employment rate in the WIA programs was from 10/1/09 to 9/30/10; for the employment retention and six months average earnings, the time period was from 4/1/09 to 3/31/10. Descriptions of the estimation of the effect of unemployment for each measure and program and of the methodology used to set targets are available in technical reports.

The Department measures performance for the Employment Service based on three interrelated outcome measures: the entered employment rate, six months average earnings, and the employment retention rate. The services delivered through the American Job Center system are designed to help customers get employed and succeed in a job that pays a middle class wage.

Because ES offers "universal access" to all participants in need of job search assistance, the program ends up providing basic employment services to millions of individuals each year. During the past year, nearly 22 million individuals received program services. The PY 2012 "actual" ES cost per participant was calculated by adding PY 2009 and PY 2010 funds, as well as the ARRA supplemental funds, divided by the combined PY 2009 and 2010 ES participants served. Using this two-year approach, ETA was able to adjust for the "ARRA effect" on participants served and cost per participant. Out year cost per participant levels use an estimated

EMPLOYMENT SERVICE

3 percent inflation adjustment factor each year. Based on PY 2012 results, the Department will rebaseline cost per participant targets and adjust as necessary.

The Department monitors grantee performance regularly through Federal Project Officers located in ETA 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; and
- number of people exiting the program.

These outputs help the Department understand whether the states are implementing strategies that will help them meet their outcome goals. The Department also 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.

EMPLOYMENT SERVICE

BUDGET ACTIVITY BY OBJECT CLASS					
(Dollars in Thousands)					
		FY 2012 Revised Enacted	FY 2013 Full Year C.R.	FY 2014 Request	Diff. FY14 Request / FY 12 Rev. Enacted
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
33.0	Investments and Loans	0	0	0	0
38.0	Depreciation Expense - Unfunded	0	0	0	0
41.0	Grants, subsidies, and contributions	721,754	726,171	751,754	30,000
	Total	721,754	726,171	751,754	30,000

EMPLOYMENT SERVICE

CHANGES IN FY 2014

(Dollars in Thousands)

Activity Changes

Built-In

To Provide For:

Costs of pay adjustments \$0

Communications, utilities, and miscellaneous charges 0

Grants, subsidies, and contributions 0

Investment and Loans 0

Built-Ins Subtotal \$0

Net Program \$30,000

Direct FTE 0

	Estimate	FTE
Base	\$721,754	0
Program Increase	\$30,000	0

GRANTS TO STATES

BUDGET AUTHORITY BEFORE THE COMMITTEE				
(Dollars in Thousands)				
	FY 2012 Revised Enacted	FY 2013 Full Year C.R.	FY 2014 Request	Diff. FY 14 Request / FY 12 Rev. Enacted
Activity Appropriation	700,842	705,131	730,842	30,000
FTE	0	0	0	0

Introduction

The Employment Service grants to states, authorized by the Wagner-Peyser Act of 1933, play an important role in preparing workers for good jobs. Looking back on recent economic challenges, the public workforce system, with ES at its core, has kept pace with the changing labor market by quickly and efficiently meeting the needs of job seekers and businesses.

Specifically, the Employment Service is:

- Turning our unemployment system into a reemployment system by providing over 22 million job seekers each year with 24/7 access to online labor exchange, which includes job searches and matching, to get them back to work quickly;
- Building the skills of American workers to compete for the jobs of the 21st century by providing job seekers with assessments, labor exchange services, supportive services, and referrals to other services that include training and education opportunities;
- Putting veterans back to work by providing the infrastructure and services necessary to support veteran reemployment services such as the Jobs for Veterans State Grants and the Veteran Retraining Assistance Program; and
- Capitalizing on efficiencies attained by housing multiple programs at American Job Centers that allow the system to offer seamless services and the best value in terms of positive outcomes for job seekers and business customers.

The ES is state-administered and funded in part by taxes collected from businesses through the Federal Unemployment Tax Act. The most significant and distinguishing feature of the ES is that it supports universal access to the workforce system through a national public labor exchange in which services are made available to all jobseekers and all businesses. In fact, evaluations of a wide range of active labor market programs across a variety of countries have found that job search assistance programs, like ES, are the most cost-effective employment and training service.¹ By putting equal emphases on serving jobseekers and businesses, the ES creates a more efficient labor exchange that connects worker supply and job demand within local and regional economies. Small, mid-sized and even large businesses benefit from the program's real-time labor market information, referrals of qualified job applicants, job listing services, and other customized, business solutions they might otherwise not be able to afford. Additionally,

¹ Schwanse, Peter. 2001. "Summary and Conclusions by the Rapporteur." In *Labour Market Policies and the Public Employment Service*, David Grubb, Stanislav Benes, and Douglas Lippoldt, eds. Paris: Organisation for Economic Co-operation and Development, pp. 17–33 and 2008; and O'Leary, Christopher J. & Randall W. Eberts. 2008. "The Wagner-Peyser Act and U.S. Employment Service: Seventy-Five Years of Matching Job Seekers and Employers." <http://research.upjohn.org/cgi/viewcontent.cgi?article=1032&context=reports>

GRANTS TO STATES

ES provides the flexibility to allow states to provide more intensive services, such as case management, as needed.

Recent employment data from the Bureau of Labor Statistics indicates that the economy is slowly recovering. When the most recent recession began (December 2007), the number of unemployed persons per job opening was 1.8. When the recession ended (June 2009), there were 6.2 unemployed persons per job opening. The unemployed persons per job opening ratio has trended downward since the end of the recession and was 3.4 in December 2012.² In fact, the number of job openings in December, 2012, was 3,600,000, 65 percent higher than the lowest point in July 2009.³ This increase in job openings requires strong employment services to match the skills of job seekers with the skills needed by business. The Congressional Budget Office's recent projections also indicate that economic growth will pick up after 2013 and the unemployment rate will gradually decline to around 7 percent by the end of 2015.⁴ As demonstrated by its performance, the ES and the labor exchange services it provides are uniquely positioned to get Americans back to work during this period of recovery. During PY2011, the ES provided nearly 20,000,000 individuals with access to labor exchange (both virtually and through the American Job Center network) and assisted 7,211,179 individuals enter employment, including 431,030 veterans.

Five-Year Budget Activity Component History

<u>Fiscal Year</u>	<u>Funding</u> (Dollars in Thousands)	<u>FTE</u>
2009	\$703,576	0
2010	\$703,576	0
2011	\$702,169	0
2012	\$700,842	0
2013	\$705,131	0

FY 2014

In FY 2014, it will be critical for the ES to continue to provide job seekers and underemployed workers the services they need to find new jobs. The ES also will support businesses as they begin hiring in response to increased demand for goods and services. In order to address the needs of these dual customers, the Department requests \$730,842,000 to operate the ES in all 50 states and five territories; this is \$30,000,000 above the FY 2012 enacted level. The requested increase will support intensive, targeted reemployment services to beneficiaries of unemployment insurance, which will reduce the duration of unemployment compensation claims by speeding up job placements. Funding at the requested level will support the delivery of labor exchange and other reemployment services to over 16,000,000 participants. Based on PY 2012

² Job Openings and Labor Turnover Survey Highlights June 2012. Bureau of Labor Statistics, August 7, 2012, http://www.bls.gov/web/jolts/jlt_labstatgraphs.pdf.

³ Ibid.

⁴ Congressional Budget Office. *The Budget and Economic Outlook: Fiscal Years 2012 to 2022*, January 31, 2012, <http://www.cbo.gov/publication/42905>

GRANTS TO STATES

results, the Department will rebaseline cost per participant targets and adjust as necessary. A portion of these funds, limited to no more than 0.5 percent, will be used for evaluation.

Specifically, the Employment Service will:

Enhance the coordination of services to recently returning veterans. As of March 2012, 2,400,000 U.S. military personnel have served or are serving in Operation Enduring Freedom, Operation Iraqi Freedom, and Operation New Dawn⁵ – and, over a million veterans will be entering the civilian labor force over the next five years. To meet the needs of returning veterans, the Department is proposing a coordinated system in which Disabled Veteran Outreach Program staff, Local Veteran Employment Representatives, ES, and WIA services are deployed most efficiently to meet the needs of all veterans, especially those transitioning from Iraq and Afghanistan. This coordinated strategy will expand the American Job Center capacity to meet the needs of new and existing veterans. (See Jobs for Veterans State Grants (JVSG) section for more information.)

Expand the use of technology and data. The ES has always provided labor market information to job seekers as one of its core services. In recent years, the public workforce system has begun to leverage real time labor market information to better understand the needs of job seekers and businesses. Specifically, the Department will encourage the system to develop improved labor market information to businesses, including more comprehensive information on available workers and their skill levels to meet the workforce needs of employers. Additionally, the Department will encourage States to make greater use of State-collected administrative data from the workforce investment system, including unemployment insurance data; ES data; American Job Center participant data; and data collected by education and human service agencies to expand the information available about the characteristics of the workforce.

Provide seamless dual-customer service through its American Job Centers. The public workforce system coordinates a range of federally funded training programs and services through the American Job Center system that address the specific and varying needs of its business and job seeker customers. These complimentary programs make the public workforce system uniquely positioned to best address and adapt to the emerging needs of workers and businesses, and will allow the system to continue to offer the best value per participant in terms of positive outcomes for job-seekers, employers, and state workforce agencies. The locally administered Dislocated Worker program will continue to provide assessment, training and supportive services, and employment services to both jobseekers, including eligible veterans, and employers, playing a critical role in enhancing U.S. competitiveness and creating an economy that is built to last by connecting industries' needs for a skilled workforce to the public workforce system's trained workers.

⁵ Analysis of VA Health Care Utilization among Operation Enduring Freedom (OEF), Operation Iraqi Freedom (OIF), and Operation New Dawn (OND) Veterans (June 2012) (<http://www.publichealth.va.gov/docs/epidemiology/healthcare-utilization-report-fy2012-qtr2.pdf>)

GRANTS TO STATES

FY 2013

Figures shown for FY 2013 reflect the annualized Continuing Resolution (P.L. 112-175) as a full-year appropriation, which had not been replaced or amended at the time the budget was produced. In addition, these numbers do not reflect the impact of sequestration. The operating plans for Department of Labor programs for FY 2013 including sequestration are being provided to the Committee in a separate communication.

FY 2012

To continue to address high levels of unemployment and the acute needs of employers seeking qualified workers in FY 2012, the Department received \$700,842,000 to operate the ES. These funds are being used to provide high-quality core and intensive services such as job search assistance, labor market information, and career counseling to job seekers. According to the most recent program data available, ES served 5.3 million more participants in PY 2011 than in PY 2007, a 38 percent increase in the number of people receiving services (see table below). Over the same time period, however, ES funding decreased from approximately \$736.3 million to approximately \$723.1 million. In order to serve large numbers of job seekers with diminishing resources, the Department continues to encourage states to enhance partnerships to leverage limited funding, enhance the capacity of the workforce system practitioners, and use lessons learned from the American Recovery and Reinvestment Act to inform and improve practice in the workforce system.

Participant Served Data PY 2008 – 2011⁶

Program Year	Funding	Participants served	Total UI Claimants
2007	\$736,298,000	13,952,240	5,073,066
2008	\$723,361,000	19,550,756	8,349,443
2009	\$723,293,000	22,447,124	10,712,573
2010	\$724,570,000	21,882,473	10,038,045
2011	\$723,121,000	19,257,101	8,955,260

To ensure that funds are used to best serve our dual customers and to build off the successes of the American Recovery and Reinvestment Act, the Department is utilizing a number of strategies and activities in FY 2012, including:

- Providing technical assistance to states to help them implement newer and more sophisticated skill assessment tools that allow for better skills matching and for the continuous improvement of job matching to better serve the employer as customers;
- Highlighting the promising new approaches to Reemployment Services that were developed with funding from the American Recovery and Reinvestment Act, including

⁶ Labor Exchange Reporting System: Final Report Data from PY 2007 – 2011, accessed at http://www.doleta.gov/performance/results/wagner-peyser_act.cfm.

GRANTS TO STATES

promoting and supporting replication and adoption of practices that assist unemployed workers in returning to work quickly through the use of labor market information, assessments, and enhanced job search techniques;

- Working collaboratively with States to help them more effectively utilize technology to manage their job matching systems and to more effectively connect to their unemployment insurance systems and decrease the time that job seekers receive unemployment compensation through the dissemination of promising practices from the Unemployment Insurance and Workforce System Connectivity Technical Assistance effort;
- Providing technical assistance to States to support their efforts to improve services to job seekers and employers including increasing the capacity of front-line staff to more effectively provide career counseling and assessment services to job seekers and improving the quality and availability of labor market information to meet the workforce needs of employers; and
- Prompting States and localities to come forward with promising ideas and make sure the job training system continues to evolve through various forums including webinars, interactive communities of practice, and other learning events and social networking opportunities.

GRANTS TO STATES

CHANGES IN FY 2014

(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 \$30,000

Direct FTE 0

	Estimate	FTE
Base	\$700,842	0
Program Increase	\$30,000	0

EMPLOYMENT SERVICE NATIONAL ACTIVITIES - WOTC

BUDGET AUTHORITY BEFORE THE COMMITTEE				
(Dollars in Thousands)				
	FY 2012 Revised Enacted	FY 2013 Full Year C.R.	FY 2014 Request	Diff. FY 14 Request / FY 12 Rev. Enacted
Activity Appropriation	18,485	18,598	18,485	0
FTE	0	0	0	0

Introduction

The Work Opportunity Tax Credit (WOTC) program was created by the Small Business Job Protection Act of 1996 (P.L.104-188), which is the successor of the Targeted Jobs Tax Credit program enacted in 1977. The WOTC program was established as a Federal tax incentive to businesses for hiring new individuals from target groups with consistently significant barriers to employment. Although subsequent authorizing legislation has changed the eligible target groups over time, the target groups typically served through WOTC have included: Temporary Assistance to Needy Families (TANF) recipients, Supplemental Nutrition Assistance Program (SNAP, or food stamp) recipients, designated community residents, summer youth employees, vocational rehabilitation referrals, ex-felons, Supplemental Security Income recipients, and veterans.

WOTC helps disadvantaged workers gain employment in good jobs 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 participating employers are compensated by being able to reduce their Federal income tax liability. WOTC joins other workforce programs that help incentivize workplace diversity and facilitate access to good jobs for American workers.

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 receives funds to administer the WOTC certification process. Funds provided to the Department for this purpose are used to provide resources to State Workforce Agencies (SWAs) to support staff processing applications for certifications for the target groups.

Five-Year Program Category History

<u>Fiscal Year</u>	<u>Funding</u> (Dollars in Thousands)	<u>FTE</u>
2009	\$18,520	0
2010	\$18,520	0
2011	\$18,483	0
2012	\$18,486	0
2013	\$18,598	0

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) the TANF population.

FY 2014

To support states' processing of certification requests, the Department requests \$18,485,000 for FY 2014 to operate the WOTC program, the same funding level as FY 2012. 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 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 certification requests received were filed in a timely manner; 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).

The Department, through the national and regional offices, contributes to efforts to process certifications 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 and certification systems.

FY 2013

Figures shown for FY 2013 reflect the annualized Continuing Resolution (P.L. 112-175) as a full-year appropriation, which had not been replaced or amended at the time the budget was produced. In addition, these numbers do not reflect the impact of sequestration. The operating plans for Department of Labor programs for FY 2013 including sequestration are being provided to the Committee in a separate communication.

FY 2012

In FY 2012, the Department received \$18,485,000 for the WOTC program. A primary focus of the Department and the SWAs in FY 2012 was to implement WOTC provisions contained in the VOW to Hire Heroes Act of 2011 (the VOW Act). The VOW Act, which was enacted on November 21, 2011, altered the veteran target group for WOTC. Specifically, it extended current tax credits for veterans receiving Supplemental Nutrition Assistance Program (SNAP) benefits or who have a service-connected disability. The legislation also established a new tax credit for employers that hire unemployed veterans.

Implementation activities at the Federal and state levels included revisions to WOTC forms and reporting systems, changes to state systems and processes, issuance of revised program guidance and instructions, and on-going technical assistance. The Department worked in coordination with the IRS to implement the new WOTC veteran provisions. Coordination within the

EMPLOYMENT SERVICE NATIONAL ACTIVITIES - WOTC

Department between the Employment and Training Administration and the Veterans' Employment and Training Service, and with the Department of Veterans Affairs, resulted in new outreach activities to promote the use of WOTC in hiring veterans, including webinars, resource materials, and broad dissemination of information on the program to field staff.

SWAs also used this funding to certify WOTC applications submitted by employers, deny ineligible applications, and work to decrease the backlogs of pending applications, including moving towards automation of the application process. In addition, through its national and regional office WOTC coordinators, the Department continued to provide technical assistance to states on program operations and requirements

EMPLOYMENT SERVICE NATIONAL ACTIVITIES - WOTC

CHANGES IN FY 2014

(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 \$18,485

EMPLOYMENT SERVICE NATIONAL ACTIVITIES TAT/SWA RETIREMENT

BUDGET AUTHORITY BEFORE THE COMMITTEE				
(Dollars in Thousands)				
	FY 2012 Revised Enacted	FY 2013 Full Year C.R.	FY 2014 Request	Diff. FY 14 Request / FY 12 Rev. Enacted
Activity Appropriation	2,427	2,442	2,427	0
FTE	0	0	0	0

Introduction

The Employment Service National Activities help the 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 and training activities that help to ensure that 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 workforce system to achieve its performance goals is directly related to the program design and service delivery strategies implemented at the state and local level. 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 technical assistance.

The requested funding for technical assistance will be focused on supporting the Department's efforts to create a more effective and responsive America's Job Center delivery system through two main strategies:

- Identifying, evaluating, and encouraging adoption of effective workforce practices that lead to positive employment outcomes for jobseekers and unemployed individuals and that meet the workforce challenges of employers; and
- Delivering technical assistance to grantees and the workforce investment system, including online resources and information, regional and national conferences, and targeted technical assistance to improve grantee performance such as institutes and coaching models.

Five-Year Program Category History

<u>Fiscal Year</u>	<u>Funding</u> (Dollars in Thousands)	<u>FTE</u>
2009	\$2,349	0
2010	\$2,474	0
2011	\$2,469	0
2012	\$2,427	0
2013	\$2,442	0

EMPLOYMENT SERVICE NATIONAL ACTIVITIES TAT/SWA RETIREMENT

Funding Mechanism

Funding for TAT activities is provided to states through grants or contracts.

FY 2014

In FY 2014, the Department requests \$2,427,000. Resources for contributions to state workforce agencies retirement plans are no longer needed, as those agreements have been fully satisfied by the Department, and those resources will be redirected to support additional technical assistance activities.

The technical assistance investments in FY 2014 will focus on reemployment strategies for the long-term unemployed; continuing to improve credential attainment by workforce system participants; deepening connections between the partners in the workforce system, including adult education and Temporary Assistance for Needy Families (TANF) at Federal, State, and local levels; improving services to businesses; and increasing capacity of WIA youth system staff. The Department also will focus the additional technical assistance resources on strategies for states to assist veterans in transitioning to a civilian career, including identifying transferable skills, and determining military qualifications that can translate into civilian credentials.

Technical assistance will be delivered through e-learning and in-person assistance, with a particular focus on documenting, disseminating, and assisting in the implementation of practices shown to be effective. Ultimately, technical assistance improves programs and the quality of services workers receive through the American Job Center system, which will in turn help workers be prepared for and find middle class jobs.

FY 2013

Figures shown for FY 2013 reflect the annualized Continuing Resolution (P.L. 112-175) as a full-year appropriation, which had not been replaced or amended at the time the budget was produced. In addition, these numbers do not reflect the impact of sequestration. The operating plans for Department of Labor programs for FY 2013 including sequestration are being provided to the Committee in a separate communication.

FY 2012

The Employment and Training Administration received \$2,427,000 in FY 2012 to support technical assistance activities. The technical assistance investments in FY 2012 focused on providing states access to expertise to improve the provision of core services, job search assistance, and labor market information services to all unemployed workers including those with multiple barriers to employment such as individuals with disabilities and racial and ethnic minorities. Other technical assistance focused on enhancing the use of electronic and internet-based employment and workforce information tools that support the states' reemployment functions and help workers obtain the skills and knowledge necessary to succeed in a

**EMPLOYMENT SERVICE NATIONAL ACTIVITIES
TAT/SWA RETIREMENT**

knowledge-based economy. In FY 2012, the Department fulfilled its agreement to fund the Federal share of State Workforce Agency Retirement System payments.

**EMPLOYMENT SERVICE NATIONAL ACTIVITIES
TAT/SWA RETIREMENT**

CHANGES IN FY 2014
(Dollars in Thousands)

Activity Changes		
Built-In		
To Provide For:		
Grants, subsidies, and contributions		\$0
Built-Ins Subtotal		\$0
Net Program		
Direct FTE		0
	Estimate	FTE
Base	\$2,427	

FOREIGN LABOR CERTIFICATION

BUDGET AUTHORITY BEFORE THE COMMITTEE				
(Dollars in Thousands)				
	FY 2012 Revised Enacted	FY 2013 Full Year C.R.	FY 2014 Request	Diff. FY 14 Request / FY 12 Rev. Enacted
Activity Appropriation	65,393	65,793	65,600	207
FTE	181	181	183	2

NOTE: FY 2012 reflects actual FTE. Authorized FTE for FY 2012 was 181.

Introduction

The Immigration and Nationality Act (INA) assigns specific responsibilities to the Secretary for the administration of certain employment-based immigration programs that require a labor certification. These statutory responsibilities include determining whether there are able, willing, and qualified U.S. workers for a position for which certification is requested and whether there would be any adverse impact on similarly employed U.S. workers should labor certification be granted. Accordingly, statutory and regulatory provisions require all employers seeking a labor certification for either permanent or temporary nonimmigrant labor to first apply to the Secretary for certification. The Secretary has delegated the non-enforcement responsibilities for the administration of these programs to the Employment and Training Administration's (ETA) Office of Foreign Labor Certification (OFLC).

The programs currently administered by the OFLC include: the immigrant Permanent Labor Certification Program (PERM) or the "Green Card"; the nonimmigrant 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; and the D-1 Longshore Crewmember Program.

The Department has organized OFLC into a National Headquarters Office responsible for policy and regulatory activities, national processing center program management, administration and finance, information technology, and other related management responsibilities. OFLC administers its program responsibilities through three national processing centers (NPCs): one located in Chicago that adjudicates all temporary nonimmigrant applications; one in Atlanta that adjudicates all immigrant PERM applications; and a third center located in Washington, D.C. which provides prevailing wage determinations nationwide upon request to employers considering whether to hire foreign workers on a temporary or permanent basis, except for the H-2A program. The Washington NPC also reviews employer and university wage surveys tasks previously carried out by State Workforce Agencies (SWAs).

Foreign labor certification programs assist in achieving the Department's Strategic Goal 1: *Prepare Workers for Good Jobs and Ensure Fair Compensation*, as well as Goal 1.5: *Secure Wages and Overtime* by protecting the wages and working conditions of both American workers and foreign nationals who are working in the U.S. Foreign labor certification programs have as a primary responsibility the review of employer applications requesting the Secretary's certification to ensure that the hiring of a foreign worker will not adversely impact the wages and

FOREIGN LABOR CERTIFICATION

working conditions of similarly employed U.S. workers, and that no qualified U.S. workers are willing or available to fill a given vacancy.

U.S. employers who perform good faith recruitment efforts and cannot locate a domestic worker in the area of intended employment are required to pay a worker hired under the program at least the prevailing wage rate in that area for the occupation in which the vacancy is being filled. Employers must comply with all federal and state laws governing the terms and conditions of the employment. The OFLC conducts a relatively small number (percentage-wise) of post-certification audits and has specific authorities for imposing program debarments and ordering supervised recruitment when appropriate. The labor certification process is the first opportunity for employers to comply with these wage and worker protection requirements. Following labor certification, the Wage and Hour Division and Office of the Solicitor of Labor have jurisdiction to enforce these requirements and address any suspected labor and workplace violations.

Five-Year Budget Activity History

<u>Fiscal Year</u>	<u>Funding</u> (Dollars in Thousands)	<u>FTE</u>
2009	\$67,950	162
2010	\$68,436	209
2011	\$65,517	209
2012	\$65,393	209
2013	\$65,793	211

Funding Mechanism

Under the SUIESO account, Congress appropriates funding for state activities supporting foreign labor certification and the federal administration of foreign labor certification programs as two separate activities. The Federal Administration activity funds Federal program functions, such as the full Federal program costs of the OFLC including salary and expenses, IT systems development, contractors to support case adjudications, center rent and supplies, the Department and Departmental indirect costs, etc. The State Grants activity funds state employment services (i.e. conducting housing inspections and employer wage surveys, placing job orders, etc.) that support the Federal foreign labor certification programs. The OFLC distributes this funding annually to states as fiscal year formula grants in accordance with approved state plans.

In addition to Congressional appropriations, OFLC receives five percent of revenue from the employer-funded H-1B application processing fee collected by the Department of Homeland Security. This five percent supports H-1B labor certification processing activities (these funds also may be used to support PERM processing activities) and is separate from the Department portion of H-1B funding allocated to U.S. worker training. OFLC estimates the H-1B Program utilizes at least one hundred percent of this fee revenue to support the H-1B Program's costs, and is currently updating the full cost for the H-1B Program.

FOREIGN LABOR CERTIFICATION

DETAILED WORKLOAD AND PERFORMANCE					
		FY 2012 Revised Enacted		FY 2013 Full Year C.R.	FY 2014 Request
		Target	Result	Target	Target
Foreign Labor Certification					
Strategic Goal 1 - Prepare workers for good jobs and ensure fair compensation.					
Outcome Goal 1.5 - Secure wages and overtime.					
ETA-CH3-FLC-02	Percent of employer applications for permanent labor certification resolved within six months of filing	68.00%	77.00%	68.00%	0.00%
	Percent of permanent labor certification determinations issued by OFLC in compliance with established standard operating procedures	--	--	[base]	TBD
ETA-CH3-FLC-03	Percent of H-1B applications processed within seven days of the filing date for which no prevailing wage issues are identified	100%	100%	100%	100%
	PERM Carry-In, New Applications	81,300[r]	92,800	116,300	158,940[e]
	PERM New Applications Filed	61,600[r]	69,200	89,700	89,700[e]
	PERM Applications Processed	48,600[r]	54,600	47,000	52,000[e]
ETA-CH3-FLC-01	PERM Applications Remaining	32,700[r]	26,700	69,240	106,940[e]
	H-1B - New Applications Filed	413,000[r]	383,500	426,500	435,000[e]
	H-1B Applications Processed	410,400[r]	379,400	424,600	433,000[e]
ETA-CH3-FLC-05	H-1B Applications Remaining	2,600[r]	4,100	6,000	2,000[e]
	H-2A - New Applications Filed	7,800[r]	5,475	8,350	8,700[e]

FOREIGN LABOR CERTIFICATION

DETAILED WORKLOAD AND PERFORMANCE					
		FY 2012 Revised Enacted		FY 2013 Full Year C.R.	FY 2014 Request
		Target	Result	Target	Target
	H-2A Applications Processed	7,500[r]	5,475	8,050	8,450[e]
ETA-CH3-FLC-07	H-2A Applications Remaining	300[r]	100	300	250[e]
	H-2B - New Applications Filed	5,200[r]	4,200	6,650	7,500[e]
	H-2B Applications Processed	4,850[r]	4,200	6,400	6,750[e]
ETA-CH3-FLC-10	H-2B Applications Remaining	350[r]	100	250	750[e]
..	Percent of H-2A applications with no deficiencies resolved by 30 calendar days before the start date of need	--	--	80%	TBD

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

* “%” processed timely in FY 2014 as a result of the age (original filing date) of the case being worked – the growing backlog will make cases older past 6 months.

FOREIGN LABOR CERTIFICATION

Workload and Performance Summary

The OFLC adjustments to FY 2012 and 2013 workload estimates and projections for FY 2014 for the permanent and temporary visa programs are a function of the following factors: (1) actual workload and performance results through January 2013; (2) potential reductions in contractor staffing at the Atlanta National Processing Center (NPC) starting December 2013 due, in large part, to the shift of continued funding of the Farm Labor Survey (FLS) from the U.S. Department of Agriculture (USDA) to OFLC for FY 2012-2013 (3) the impact of increased Permanent Labor Certification program (PERM) integrity initiatives to conduct more audit examinations on low-skilled position applications and to supervise recruitment for other positions where qualified U.S. workers may be available; and (4) positive economic forecast assumptions in FY 2013-2014 for U.S. unemployment and labor force employment levels and the resulting increase in the new applications being filed.

In FY 2012 targets were adjusted based on FY 2011 actual results. Once the analysis was complete on the data from FY 2011, results revealed the need for adjustments to the targets for FY 2012. Intensive backlog reduction effort resulted in drastic results in FY 2011 that could not be replicated in FY 2012; therefore adjustments were made to the targets for the number of applications processed in FY 2013 and FY 2014. In addition, due to changes in the economy the Department is seeing FY 2013 filings are significantly up by approximately 25 percent, which increases the percent of applications subject to audit and integrity reviews, thereby also prompts an increase in the target for FY 2013 and FY 2014 applications filed.

As workload increases in anticipation of a recovering economy in FY 2013-2014, OFLC will need to implement high-priority strategies designed to ensure the timely processing of employer applications, for temporary low-skilled agricultural and nonagricultural workers. OFLC will focus NPC staff resources on meeting processing times mandated by statute and regulation in the temporary nonimmigrant programs while simultaneously reducing the level of contractor staff involved in the processing of PERM applications, where no such mandates exist, in order to fund the continued administration of the FLS.

The FLS, which until May 18, 2011 was conducted by USDA, establishes the Adverse Effect Wage Rates (AEWRs) as required in 20 Code of Federal Regulations 655.103. USDA ceased funding for the survey, thereby leaving the Department with no viable alternative, particularly given the clear regulatory language governing the H-2A program. In order for the OFLC to issue a certification that the employment of foreign agricultural workers will not adversely affect the wages of workers similarly employed in the United States, the regulations specify that the Secretary shall utilize, as the AEWR, the annual weighted average hourly wage in the States and regions as published annually by the USDA's FLS.

The impact of USDA's funding decision requires OFLC to further prioritize FY 2013-2014 funds and the PERM program, unlike the temporary programs, the PERM program does not have statutory or regulatory-required processing times. Where in a given occupation there is evidence of available U.S. workers, additional scrutiny will be applied in order to protect the program's integrity. The approximate \$1.2 million funding reduction will continue to impact the ability of the OFLC to avoid backlogs of employer requests for PERM certification. This reduction in

FOREIGN LABOR CERTIFICATION

conjunction with increased filings together will result in at least a 68 percent decrease in performance under the PERM timeliness measure and an increase in the backlog of employer applications to approximately 107,000 in FY 2014. During FY 2012, OFLC completed a re-engineering of the business processes employed at the Atlanta NPC, including a focus on integrity measures and a structural re-alignment of federal and contractor resources to align with stated priorities.

OFLC also will implement certain modified performance measures during FY 2013-2014 to better align results with changes in program regulatory requirements and Departmental priorities. For instance, the timeliness measure for processing H-1B applications will be adjusted to include all employer applications filed and processed, as opposed to only those where no prevailing wage issues are identified, and align the processing timeframe with the Department's regulatory mandate of seven business days. Even with these proposed changes, OFLC will continue to establish an expectation of processing 100 percent of employer H-1B application within seven business days.

For the H-2B program, OFLC has proposed to reduce its timeliness measure from 60 calendar days to 30 calendar days to better align with its administration of the Department's 2008 Final Rule. The proposed target for this modified measure represents a 23 percent increase over the current timeliness standard, because of OFLC's experience implementing the attestation-based program model established by the 2008 Final Rule, as opposed to the historical certification-based program model. In the event that the Department's 2012 Final Rule, which returns the program to a certification-based program, is upheld in court, OFLC will recalibrate the timeliness measure and establish baseline data during FY 2013 to align with that regulatory framework. In the H-2A program, the proposed new timeliness measure will better align with OFLC's statutory mandate to resolve all employer H-2A applications meeting the criteria for certification (i.e., with no deficiencies) by 30 calendar days from the date of need. The modified measure will eliminate the historical exemption of those applications pending a SWA action (e.g., awaiting housing inspection), which the OFLC believes it is should be held accountable to resolve in a timely manner.

As an adjunct to its timeliness measures, OFLC will develop baseline data during FY 2013 for two new measures designed to assess the quality of OFLC's decision-making and level of compliance with established operating protocols. One of the outcome measures will replace the current PERM compliance measure starting in FY 2013, and the other measure will cover the temporary labor certification programs. The new compliance measures will take the number of final labor certification determinations found in compliance with established standard operating procedures divided by the number of final labor certification determinations sampled for a process quality review and completed during the reporting period. Implementation of this quarterly review process will be labor intensive requiring a negotiated adjustment of performance plans for National Office program staff in order to implement the new measures during FY 2013.

OFLC employs a data driven and results-oriented approach to its management of Federal resources and administration of employment-based immigration programs. Through its annual operating plans, the OFLC focuses accountability on the timeliness and quality of program

FOREIGN LABOR CERTIFICATION

performance, 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. Organizational resources are aligned with production outputs and outcome goals, high priority strategies and staff-level production and quality standards identified, and adjustments to existing staff workloads or other business processes made in order to achieve intended results. All production-related data is extracted from electronic case management systems and aggregated using standard algorithms to ensure consistent measurement of results.

For its professional staffing and information technology contracts, the OFLC implements an acquisition strategy based on “*low risk*” fixed price task order contracts that establish clear and measurable performance standards for contractor production and quality. A Quality Assurance Surveillance Plan is the primary mechanism through which OFLC monitors contractor’s performance, articulates standards for acceptable and unacceptable performance, and executes appropriate incentives for high performance or, where performance is unacceptable, corrective actions. For technology task order contracts, the OFLC adheres to earned value management reporting requirements, which are incorporated into each executed task order contract in accordance with the Federal Acquisition Regulations (FAR) Subpart 34.2 for major acquisition systems and OMB Circular A-11.

The OFLC is held accountable for results on a quarterly basis by the Department’s Office of the Chief Information Officer (OCIO), which places a strong emphasis on measuring and managing the performance of IT initiatives against an agreed upon set of standards and best practice guidelines. Specifically, the OCIO maintains and disseminates a Quarterly Review Scorecard (QRS) assessing five critical aspect of IT project implementation: mission alignment, enterprise architecture compliance, security compliance, cost-schedule investment performance, capital planning, and viability-risk management. The OCIO has determined that the OFLC is consistently “on track and on budget” in each of the five critical elements covering IT project management and implementation.

FOREIGN LABOR CERTIFICATION

BUDGET ACTIVITY BY OBJECT CLASS					
(Dollars in Thousands)					
		FY 2012 Revised Enacted	FY 2013 Full Year C.R.	FY 2014 Request	Diff. FY14 Request / FY 12 Rev. Enacted
11.1	Full-time permanent	16,573	16,573	16,756	183
11.3	Other than full-time permanent	0	0	0	0
11.5	Other personnel compensation	167	167	167	0
11.9	Total personnel compensation	16,740	16,740	16,923	183
12.1	Civilian personnel benefits	4,911	4,911	4,965	54
13.0	Benefits for former personnel	0	0	0	0
21.0	Travel and transportation of persons	20	20	20	0
22.0	Transportation of things	0	0	0	0
23.1	Rental payments to GSA	2,393	2,393	2,393	0
23.2	Rental payments to others	0	0	0	0
23.3	Communications, utilities, and miscellaneous charges	496	496	496	0
24.0	Printing and reproduction	15	15	15	0
25.1	Advisory and assistance services	18,349	18,657	18,290	-59
25.2	Other services from non-Federal sources	14	14	14	0
25.3	Other goods and services from Federal sources 1/	3,706	3,706	3,706	0
25.4	Operation and maintenance of facilities	6	6	6	0
25.5	Research and development contracts	0	0	0	0
25.7	Operation and maintenance of equipment	3,250	3,250	3,250	0
26.0	Supplies and materials	408	408	408	0
31.0	Equipment	15	15	15	0
41.0	Grants, subsidies, and contributions	15,070	15,162	15,099	29
42.0	Insurance claims and indemnities	0	0	0	0
	Total	65,393	65,793	65,600	207
	1/Other goods and services from Federal sources				
	Working Capital Fund	3,706	3,706	3,706	0

FOREIGN LABOR CERTIFICATION

CHANGES IN FY 2014

(Dollars in Thousands)

Activity Changes

Built-In

To Provide For:

Costs of pay adjustments	\$183
Personnel benefits	54
One day more 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	-59
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 **\$178**

Net Program **\$29**

Direct FTE **2**

	Estimate	FTE
Base	\$65,571	181
Program Increase	\$29	2

NOTE: Base reflects actual FY 2012 FTE.

FEDERAL ADMINISTRATION

BUDGET AUTHORITY BEFORE THE COMMITTEE				
(Dollars in Thousands)				
	FY 2012 Revised Enacted	FY 2013 Full Year C.R.	FY 2014 Request	Diff. FY 14 Request / FY 12 Rev. Enacted
Activity Appropriation	50,323	50,631	50,501	178
FTE	181	181	183	2

NOTE: FY 2012 reflects actual FTE. Authorized FTE for FY 2012 was 181.

Introduction

The Federal Administration activity funds the salaries and expenses necessary to conduct the programs administered by the Office of Foreign Labor Certification (OFLC) in order to carry out the Secretary's delegated non-enforcement responsibilities as stipulated in the Immigration and Nationality Act. The H-1B Specialty Occupations Program is the exception as it is supported with fee revenue derived from employer paid fees. These non-fee costs include Federal and contract staff necessary to process employer-filed applications, information technology systems required to process all applications across multiple temporary and permanent programs, buildings for three national processing centers, supplies, travel, agency indirect costs, and national office staff.

Program Staff Support and Staff Charging

FLC's Administration funds are used to finance ETA mission support activities like contracts, human resources, and financial and administrative management. The offices in which these functions reside provide critical support to the programmatic functions of FLC. ETA's mission support offices provide critical business functions, which allow FLC to operate. Without these business functions, the ability of FLC to perform the most basic of operations would be severely constrained.

Five-Year Budget Activity Component History

<u>Fiscal Year</u>	<u>Funding</u> (Dollars in Thousands)	<u>FTE</u>
2009	\$52,821	162
2010	\$53,307	209
2011	\$50,418	209
2012	\$50,323	209
2013	\$50,631	211

FY 2014

This funding request of \$50,501,000 reflects the level of support necessary to continue the operation, management, and oversight of Foreign Labor Certification programs.

The OFLC projections for FY 2014 for the permanent and temporary visa programs are a function of the following factors: (1) actual workload and performance results through January

FEDERAL ADMINISTRATION

2013; (2) further reductions in contractor staffing at the Atlanta National Processing Center (NPC) starting December 2013 due, in large part, to the shift of continued funding of the Farm Labor Survey (FLS) from the U.S. Department of Agriculture (USDA) to OFLC for FY 2012-2013 and any necessary reductions as a result of funding decreases in this category; (3) the addition of three federal staff dedicated to the Ombudsman Program to be paid for without an increase in funding; (4) positive economic forecast assumptions in FY 2013-2014 for U.S. unemployment and labor force employment levels and the resulting increase in new applications being filed; (5) maintaining an acceptable level of program integrity across the programs administered by the OFLC particularly in light of program utilization increases.

Note: Through the first quarter of FY 2013, OFLC is experiencing increased program filings in all programs with a 30% increase in the Permanent Labor Certification Program specifically.

FY 2013

Figures shown for FY 2013 reflect the annualized Continuing Resolution (P.L. 112-175) as a full-year appropriation, which had not been replaced or amended at the time the budget was produced. In addition, these numbers do not reflect the impact of sequestration. The operating plans for Department of Labor programs for FY 2013 including sequestration are being provided to the Committee in a separate communication.

FY 2012

The FY 2012 enacted funding level for federal administration is \$50,322,710 and 181 FTE, a decrease of \$95,252 and 8 FTE from the 2011 enacted level. At this funding level the OFLC will continue to process employer-filed applications in a timely manner.

Select accomplishments include:

1. Despite an increased volume of PERM applications being filed (six percent increase from FY 2011), OFLC met both its Q4 and annual target for processing 68 percent of PERM applications in under 180 days. OFLC continues to track PERM application processing times on a weekly, monthly, and quarterly basis and re-align Atlanta National Processing Center resources, when necessary, to meet the timeliness goals. OFLC expects to meet its FY 2013 target of 68 percent with this continued strategy. Total cases processed in FY 2012: 54,600.
2. For the fourth quarter in a row, OFLC processed 100 percent of H-1B applications within seven days in accordance with statutory/regulatory requirements. The average cycle time for FY 2012 was six days. Consistent monitoring of cycle times as well as the percent of H-1B applications pending for five or more days enabled OFLC to meet the FY 2012 target, even as, at certain points throughout the year, the total number of new filings increased by more than 20 percent from the same period last year. Total cases processed in FY 2012: 379,400.

FEDERAL ADMINISTRATION

3. OFLC significantly exceeded the FY 2012 target of resolving 57 percent of employer-filed H-2A applications by the determination due date⁷. An appropriate balance has been achieved by providing timely decisions while simultaneously allowing employers to provide DOL with documentation (e.g., recruitment report, housing inspection, and workers' compensation coverage) needed to issue the certification decision. There are no backlogs in the H-2A program. Total cases processed in FY 2012: 5,475.
4. OFLC met the annual target of resolving 98 percent of employer-filed H-2B applications within 60 calendar days of the filing date. OFLC remains current (no backlog) on all pending H-2B applications. Total cases processed in FY 2012: 4,200.
5. OFLC met the annual target of resolving 80 percent of PERM and H-1B prevailing wage determination requests within 60 calendar days of the filing date. OFLC remains current (no backlogs exist) on all pending PERM and H-1B prevailing wage requests. Total cases processed in FY 2012: 127,420.
6. OFLC met the annual target of resolving 70 percent of H-2B prevailing wage determination requests within 30 calendar days of the filing date. OFLC remains current (no backlog) on all pending H-2B prevailing wage requests. Total cases processed in FY 2012: 8,370.
7. Significant re-engineering of the processing of PERM applications in order to increase integrity and fraud detection. Successful re-engineered and substantially increased applications assigned to supervised recruitment where the denial rate reaches 50%.

⁷ (1) Statutorily 30 calendar days of the employer's start date of work, or, where the employer is provided an extra 5 calendar days to submit documentation needed to issue a certification; and (2) 25 calendar days of the employer's start date of work.

FEDERAL ADMINISTRATION

BUDGET ACTIVITY COMPONENT BY OBJECT CLASS					
(Dollars in Thousands)					
		FY 2012 Revised Enacted	FY 2013 Full Year C.R.	FY 2014 Request	Diff. FY14 Request / FY 12 Rev. Enacted
11.1	Full-time permanent	16,573	16,573	16,756	183
11.3	Other than full-time permanent	0	0	0	0
11.5	Other personnel compensation	167	167	167	0
11.9	Total personnel compensation	16,740	16,740	16,923	183
12.1	Civilian personnel benefits	4,911	4,911	4,965	54
13.0	Benefits for former personnel	0	0	0	0
21.0	Travel and transportation of persons	20	20	20	0
22.0	Transportation of things	0	0	0	0
23.1	Rental payments to GSA	2,393	2,393	2,393	0
23.2	Rental payments to others	0	0	0	0
23.3	Communications, utilities, and miscellaneous charges	496	496	496	0
24.0	Printing and reproduction	15	15	15	0
25.1	Advisory and assistance services	18,349	18,657	18,290	-59
25.2	Other services from non-Federal sources	14	14	14	0
25.3	Other goods and services from Federal sources 1/	3,706	3,706	3,706	0
25.4	Operation and maintenance of facilities	6	6	6	0
25.5	Research and development contracts	0	0	0	0
25.7	Operation and maintenance of equipment	3,250	3,250	3,250	0
26.0	Supplies and materials	408	408	408	0
31.0	Equipment	15	15	15	0
41.0	Grants, subsidies, and contributions	0	0	0	0
42.0	Insurance claims and indemnities	0	0	0	0
	Total	50,323	50,631	50,501	178
1/Other goods and services from Federal sources					
	Working Capital Fund	3,706	3,706	3,706	0

FEDERAL ADMINISTRATION

CHANGES IN FY 2014

(Dollars in Thousands)

Activity Changes

Built-In

To Provide For:

Costs of pay adjustments	\$183
Personnel benefits	54
One day more 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	-59
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 **\$178**

Net Program **\$0**

Direct FTE **2**

	Estimate	FTE
Base	\$50,501	181
Program Increase	\$0	2

NOTE: Base reflects actual FY 2012 FTE.

STATE GRANTS

BUDGET AUTHORITY BEFORE THE COMMITTEE				
(Dollars in Thousands)				
	FY 2012 Revised Enacted	FY 2013 Full Year C.R.	FY 2014 Request	Diff. FY 14 Request / FY 12 Rev. Enacted
Activity Appropriation	15,070	15,162	15,099	29
FTE	0	0	0	0

Introduction

Under the State Grant activity, the Department provides annual grants to State Workforce Agencies (SWAs) in 55 states and U.S. territories to fund employment-based immigration activities that are required components of the various foreign labor certification programs. These activities include, but are not limited to, SWA posting and circulation of inter and intra-state job orders and other assistance to employers in the effective recruitment of U.S. workers, conducting state safety inspections of employer provided H-2A housing, and developing and conducting prevailing practice and wage surveys used to set wages and standards in a defined occupation within their state. The SWAs also post employer job orders for the PERM Program in accordance with that program's regulation.

In accordance with the requirements of their foreign labor certification grant allocations, SWAs submit annual work plans to the Department's OFLC to establish continued eligibility for the grant. These work plans describe the specific activities and workload expectations.

Five-Year Budget Activity Component History

<u>Fiscal Year</u>	<u>Funding</u> (Dollars in Thousands)	<u>FTE</u>
2009	\$15,129	0
2010	\$15,129	0
2011	\$15,099	0
2012	\$15,070	0
2013	\$15,162	0

FY 2014

For FY 2014, the Department requests \$15,099,000 to support SWA required foreign labor certification activities. OFLC anticipates focusing state grant resources on meeting processing times mandated by statute and regulation in the H-2A and H-2B temporary nonimmigrant programs.

FY 2013

Figures shown for FY 2013 reflect the annualized Continuing Resolution (P.L. 112-175) as a full-year appropriation, which had not been replaced or amended at the time the budget was produced. In addition, these numbers do not reflect the impact of sequestration. The operating

STATE GRANTS

plans for Department of Labor programs for FY 2013 including sequestration are being provided to the Committee in a separate communication.

FY 2012

The FY 2012 enacted funding level for SWA foreign labor certification activities was \$15,070,463. These grants funded personnel costs associated with state activities to assist the processing of foreign labor certification applications. These funds support the inspection of housing required under the H-2A program as well as the posting of job orders for various OFLC-administered programs. In additions, SWA conduct surveys of certain crops under the H-2A program and prevailing practice surveys necessary to determine and apply accurate wages.

STATE GRANTS

BUDGET ACTIVITY COMPONENT BY OBJECT CLASS					
(Dollars in Thousands)					
		FY 2012 Revised Enacted	FY 2013 Full Year C.R.	FY 2014 Request	Diff. FY14 Request / FY 12 Rev. Enacted
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	15,070	15,162	15,099	29
	Total	15,070	15,162	15,099	29

STATE GRANTS

CHANGES IN FY 2014

(Dollars in Thousands)

Activity Changes

Built-In

To Provide For:

Costs of pay adjustments \$0

One day more of pay 0

Grants, subsidies, and contributions 0

Built-Ins Subtotal \$0

Net Program \$29

Direct FTE 0

	Estimate	FTE
Base	\$15,070	0
Program Increase	\$29	0

NOTE: Base reflects actual FY 2012 FTE.

WORKFORCE INFORMATION/ELECTRONIC TOOLS/SYSTEM BUILDING

BUDGET AUTHORITY BEFORE THE COMMITTEE				
(Dollars in Thousands)				
	FY 2012 Revised Enacted	FY 2013 Full Year C.R.	FY 2014 Request	Diff. FY 14 Request / FY 12 Rev. Enacted
Activity Appropriation	63,473	63,861	90,473	27,000
FTE	0	0	0	0

Introduction

Activities funded through the Workforce Information/Electronic Tools/System Building line item assist veterans, youth, working-age individuals, businesses, government entities, and non-profit organizations, and help ensure a skilled workforce for industries that provide good jobs. The workforce information programs and online tools assist individuals' career choices, education and training planning, and job search, by providing information about careers, skill requirements, employment projections, and other workforce information. 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 funds also support system capacity building efforts, including the Disability Employment Initiative, which allow the American Job Center network to respond to the needs of the job seekers and businesses in the current economy. In FY 2014, the Department also requests \$30 million to increase public awareness and use of the of the American Job Center network, expand access to workforce services, promote co-location of services and programs, and create better on-line tools that offer more convenient, personalized services.

The American Job Center network continues to face high demand for employment services to speed re-employment for dislocated workers and for veterans transitioning to civilian employment. A robust suite of electronic tools helps the national workforce system meet this challenge. Although reduced from the recession's height, the number of unemployed job seekers who use the public workforce system is more than double the pre-recession level, growing from 1,050,000 in 2006 to nearly 2,200,000 in an average month in 2012 (Table 1). Reports from the workforce system indicate that the approximately 2,800 American Job Centers were inundated with customers, findings supported by a 2010 Institute of Museum and Library Services study supported by the Gates Foundation.⁸ Virtual services provided through the electronic tools greatly expand the reach of the American Job Center network, enabling self-service use by customers.

⁸ Samantha Becker et al, *Opportunity for All: How the American Public Benefits from Internet Access at U.S. Libraries*. Institute (Washington, D.C.: Institute of Museum and Library Services, 2010), pp. 71-96

WORKFORCE INFORMATION/ELECTRONIC TOOLS/SYSTEM BUILDING

Table 1. The average monthly number of unemployed job seekers who use public employment agencies has more than doubled since 2006.

	Percent of unemployed job seekers who use public employment agencies	Number using public employment agencies (thousands)	Percent increase from 2006 to 2011
2012	19.3%	2,185	108%
2011	21.0%	2,626	
2010	22.2%	2,973	
2009	22.6%	2,851	
2008	18.9%	1,465	
2007	17.7%	1,080	
2006	17.3%	1,052	

Source: Unpublished BLS tables on job search methods, from the *Current Population Survey*

In addition to supplementing and strengthening the services available in the American Job Center network, this budget item also assists planners and leaders to make full use of workforce development information available from the Department and other sources, so that public sector investments are accurately based on which jobs and skills are in demand, both locally and nationally. Federal, state, and local workforce system program administrators rely on this information for strategic planning, targeting participants, and selecting training courses and providers.

The Department invests Workforce Information/Electronic Tools/System Building funds via the following four strategies:

Collect and integrate statistical and other workforce information. This activity includes workforce information grants to states, and the production of state and local employment projections. Workforce information grants fund states to collect data and produce economic and workforce analyses documenting changing labor market conditions, including shifts in industrial and occupational demand and its impact on the skills needed by the workforce. Employment projections indicate which careers are growing and expected to be in demand, information important to new labor market entrants, career changers, businesses looking to grow, and economic development.

Deliver Web-based information, interactive tools, and technical assistance. This activity supports electronic tools that are visited by more than 40 million individuals annually, including CareerOneStop, America’s Career Information Network, America’s Service Locator, O*NET Online, the mySkills myFuture skills transferability tool, and the My Next Move and My Next Move for Veterans sites. Together, the electronic tools suite provides a variety of services. This includes:

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

WORKFORCE INFORMATION/ELECTRONIC TOOLS/SYSTEM BUILDING

- 4) Information about other assistance to individuals (e.g., unemployment insurance and social, family, housing and emergency services);
- 5) Employer and economic development tools; and
- 6) Tools specifically tailored for veterans and transitioning military service members. All the electronic tools are user-friendly and most are designed for self-service by job seekers, but they also are designed to meet the needs of intermediaries.

This activity also supports the Workforce3One Web site, the agency's online technical assistance platform. To operate more efficiently, the Department increasingly relies on delivering technical assistance online rather than in person. The Workforce3One site is designed for employment and training practitioners, providing both technical assistance to the workforce system and a means by which practitioners can electronically share information, advice, ideas and best practices.

Monitor program and grants, and operate a performance-driven system. These resources support key performance accountability and capacity building systems, including the Federal Employment Data Exchange System and the Common Reporting and Information System; development and maintenance of Data Validation software, which is used by states to ensure that the performance results reported are accurate and consistent across all states; and performance analyses to promote continuous improvement in the workforce system. These resources also support the Wage Record Interchange System that uses administrative wage records collected through the UI system to report reliable performance outcome data on employment, retention, and wage gains for Federally-funded employment and training program participants. These data are, in turn, used to gauge program effectiveness.

Expand the capacity of the workforce system, including capacity to serve persons with disabilities and assist them in obtaining training and employment. The Department of Labor's Employment and Training Administration and Office of Disability Employment Policy collaboratively fund and support the Disability Employment Initiative (DEI). The DEI addresses the continuing problems of unemployment, underemployment, and poverty of persons with disabilities by funding full-time, dedicated Disability Resource Coordinators to promote the meaningful and effective employment of persons with disabilities. DEI grants are designed to:

- 1) Improve the training and employment outcomes of persons with disabilities who are unemployed, underemployed, or receiving Social Security disability benefits, particularly focusing on career path jobs which lead to economic self-sufficiency;
- 2) Build effective partnerships that leverage public and private resources to better serve persons with disabilities;
- 3) Expand the capacity of the American Job Center network to serve customers with disabilities; and
- 4) Expand the public workforce developments system's capacity to become Employment Networks for beneficiaries under the Social Security Administration (SSA) Ticket to Work Program.

WORKFORCE INFORMATION/ELECTRONIC TOOLS/SYSTEM BUILDING

The Department has implemented a rigorous random assignment evaluation of DEI to determine the efficacy of its service delivery strategies and approaches. The Department also supports DEI grantees with technical assistance including needs assessments, trainings, resources, curricula, and toolkits.

Five-Year Budget Activity History

<u>Fiscal Year</u>	<u>Funding</u> (Dollars in Thousands)	<u>FTE</u>
2009	\$51,720	0
2010	\$63,720	0
2011	\$63,593	0
2012	\$63,473	0
2013	\$63,861	0

Funding Mechanism

The workforce information grants are funded by an administrative formula to all states, with a portion for the Virgin Islands and Guam, 40 percent distributed equally to all states, and 60 percent distributed based on each state's share of the Civilian Labor Force. The electronic tools are comprised of the CareerOneStop portal—including America's Career Information Network, America's Service Locator, mySkills myFuture—and O*NET OnLine and related sites, including My Next Move and My Next Move for Veterans. These sites as well as other investments in workforce information core products and tools are managed through grants to certain states. Elements of the reporting and performance monitoring systems to track progress toward goals, and the agency's technical assistance platform are implemented through contracts. The DEI grants are awarded through a competitive solicitation to state workforce agencies.

FY 2014

The Department requests \$90,473,000. These funds will support the following activities in 2014:

Workforce Information Grants to States (\$32,000,000) - The workforce information formula grants will provide funds to states to collect data and produce economic and workforce analyses documenting changing labor market conditions, including shifts in industrial and occupational demand and its impact on the skills needed by the workforce. These data products are developed and presented in a wide variety of well organized, valid, reliable data formats and analyses, and are disseminated through both state and national electronic tools. This investment leverages a much larger investment that produces national Bureau of Labor Statistics data sets and makes them useable locally. In addition, a portion goes to several state grants to ensure that these data are comparable across states. In 2014, the Department will focus with states on staff capacity and succession planning due to expected workforce development staff retirements.

Operation and Maintenance of National Electronic Tools, System Support and Accountability (\$19,497,000) – In 2014 these funds will support the ongoing operation and maintenance of the suite of national electronic tools, including the CareerOneStop portal and the O*NET data

WORKFORCE INFORMATION/ELECTRONIC TOOLS/SYSTEM BUILDING

collection, research activities, and data dissemination. These funds also will be used to develop additional browser-based mobile applications to put these resources in the hands of job seekers and businesses; provide Spanish translation for more tools and resources on CareerOneStop; and enhance and standardize resources found in the credential tools providing information on educational programs, occupational licenses and industry certifications. Funds will also be used to deliver training and technical assistance to workforce investment system staff through webinars, social media networking, and identification of best practices, and to support performance accountability reporting systems in order to determine the outcomes of the agency's investments.

Improve Access to Services (\$30,000,000) – The Department will use these funds to increase public awareness and use of the of the American Job Center network, expand access to workforce services, promote co-location of services and programs, and create better on-line tools that offer more convenient, personalized services. Under this initiative, the Department will pursue a range of strategies to support enhanced outreach to job seekers and community partners and to encourage co-location, which may include defraying the costs of expanding the presence of additional programs at American Job Centers. It will also seek to make the workforce system more accessible, particularly for working adults and individuals who may have difficulty accessing services at traditional brick-and-mortar locations. To accomplish this goal, these funds could support efforts to expand American Job Center hours beyond standard business hours and establish new service points for workforce services in local communities, such as by expanding access within libraries, community colleges and schools, or major commercial chains. Funds could also support more robust and expanded national electronic tools with greater interactivity and real-time communication and expansions in telephone contact centers.

Disability Employment Initiative (\$8,976,000) – The Department will continue to support the DEI with this line item, at a level \$3,000,000 less than in previous years' requests. This funding is matched by an equal request by the Office of Disability Employment Policy for the same objective. An important outcome measure of the DEI is that all participating local workforce investment boards are required to become recognized by the SSA as qualified Employment Networks within 60 days of receiving DEI funds and begin collecting payments from SSA in the second and third project years.

Funding in 2014 will be used for a fifth round of DEI state grants, with awards to four to eight states, compared to six to ten awards in prior years. By 2014, the Department will have funded four rounds of DEI grants since 2010, as part of a system change effort to enhance the workforce system's capacity to serve individuals with disabilities. In 2014, the Department will allow targeted states to refine the DEI model based on data and information from the current DEI random assignment evaluation and other evidence-based research. States may adjust their DEI model to hone in on implementation of refinements necessary to adequately execute their DEI strategies, such as adjusting data capture and reporting or addressing front-line staff training. States also may refine their implementation of the DEI to examine state policies, practices, and operating procedures to identify changes that advance integrated approaches to employment goals for individuals with disabilities. The Department will share lessons learned and promising practices identified as part of the DEI initiative with the Department of Education

WORKFORCE INFORMATION/ELECTRONIC TOOLS/SYSTEM BUILDING

and the Social Security Administration to help inform work on the PROMISE initiative and other Federal initiatives.

FY 2013

Figures shown for FY 2013 reflect the annualized Continuing Resolution (P.L. 112-175) as a full-year appropriation, which had not been replaced or amended at the time the budget was produced. In addition, these numbers do not reflect the impact of sequestration. The operating plans for Department of Labor programs for FY 2013 including sequestration are being provided to the Committee in a separate communication.

FY 2012

The 2012 appropriation for this activity is \$63,472,809. With these funds, the Department: 1) developed robust career information, industry competency models, and tools to identify career pathways and assess skills; 2) collected, analyzed, and disseminated economic and workforce data to enable the workforce system and its customers to make informed decisions about careers, education and training; 3) maintained and enhanced national electronic tools that support both self-service to individuals and provide assistance to American Job Centers (also known as One-Stop Career Centers) that augment DOL's electronic tools with personalized customer service; 4) maintained the current infrastructure to ensure the system's performance accountability; and 5) bolstered technical assistance and capacity building by expanding the use of social media and networking tools to foster the sharing of data, information and best practices.

The information development and dissemination supported by this line item supported economic recovery by helping to direct the human resource investments of the public workforce system as well as expand its capacity to serve the increasing numbers of customers turning to the local One-Stop Career Centers for assistance. In 2012, enhancements were made to assist veterans in their transition to the civilian workforce through enhancements to CareerOneStop Re-Employment portal, and customization of the My Next Move career exploration tool as My Next Move for Veterans released in November 2011. Customer value was added to the CareerOneStop Certification Finder through additions of icons to identify those workforce certifications that are accredited, recognized by third-party industry organizations, or are aligned with military occupations, career and technical education or Job Corps training. The Department continued to update its electronic tools in FY 2012, including release of the Healthcare Virtual Career Platform, an online site to promote healthcare careers and provide virtual services to help people plan and prepare for healthcare jobs and career pathways. A new Workforce System Strategies site provides evidence-based technical assistance to professionals to identify and implement effective strategies, and support improved customer outcomes, by highlighting strategies informed by experimental studies, implementation evaluations, and performance data.

Of this line item, \$11,976,000 was devoted to continuing the Disability Employment Initiative, matched by ODEP for the same objective, for a third round of grants.

WORKFORCE INFORMATION/ELECTRONIC TOOLS/SYSTEM BUILDING

DETAILED WORKLOAD AND PERFORMANCE						
	PY 2011 Enacted		PY 2012 Revised Enacted		PY 2013 Full Year C.R.	PY 2014 Request
	Target	Result	Target	Result	Target	Target
Workforce Information-Electronic Tools-System Building						
Strategic Goal 1 - Prepare workers for good jobs and ensure fair compensation.						
Outcome Goal 1.2 - Assure skills and knowledge that prepare workers to succeed in a knowledge-based economy, including high-growth and emerging industries like "green" jobs.						
Number of O*NET site visits (in millions)	24.00	29.60	30.00	--	30.00	30.00
Outcome Goal 1.3 - Help workers in low-wage jobs or out of the labor market find a path into middle class jobs.						
* Number of CareerOneStop site visits (in millions)	15.00	18.40	18.50	--	18.50	18.50
* Site visits for CareerOneStop and O*NET (in millions)	39.50	48.00	48.50	--	48.50	48.50
Cost per site visit	\$0.50	\$0.41	\$0.40	--	\$0.40	\$0.40
Number increase of State of Local Workforce Investment Boards that become Employment Networks (ENs)	--	--	--	--	--	5
Number increase in assigned tickets to State or Local Workforce Investment Boards	--	--	--	--	--	200
Increase in revenue to State or Local Workforce Board ENs from	--	--	--	--	--	\$20,000.00

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 2014 are 24.0 million site visits for CareerOneStop Web sites and 16 million site visits for O*NET Web sites, for an estimated total of 40.00 million site visits.

The primary outputs of this funding are workforce information and the electronic delivery of information and personalized career exploration to job seekers. ETA is able to measure the number of Web site visitors who access information and services. ETA does not have information on how site visitors use these services or their later employment experience, because no registration or private identifying information is required to access the site. Thus, the currently collected information on site visits reflects intermediate outputs rather than final outcomes. Even if ETA tracked such outcomes, as is done for employment and training program participants, this still would not be sufficient to gauge the impact of receiving information alone, without controlling for other inputs.

A 2006 Government Accountability Office (GAO) study of employer use of American Job Centers found that employers reported that the services “saved them time and money.” Some 26 percent of employers surveyed use workforce information from American Job Career Centers, and virtually all found it “useful or very useful.” Since this GAO study, ETA has significantly enhanced its electronic services to employers and jobseekers; enhancements include the launch of the mySkills, myFuture; My Next Move, My Next Move for Veterans, CareerOneStop’s Veterans ReEmployment Portal tools, a specific “Business Center” tool, and a “Job Description Writer” step-by-step guide that incorporates O*NET data to enable employers to write descriptions for job postings to increase their prospects for finding and hiring a qualified applicant.

The steady traffic to the ETA electronic tool Web sites over time demonstrates the ongoing demand for Web-based products and services. 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 responds to various economic dislocations. Continuous improvement in customer service remains a top priority, and ETA 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 judges 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:

- Number of people served, number of people who received training, and individual outcomes including entered employment, employment retention, and average earnings;
- Number of local workforce boards, American Job Centers, or state workforce agencies that become Employment Networks under the Ticket to Work Program, number of

WORKFORCE INFORMATION/ELECTRONIC TOOLS/SYSTEM BUILDING

Tickets accepted, and funds received by Employment Networks for job placements of Social Security disability beneficiaries; and

- 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 2012 Revised Enacted	FY 2013 Full Year C.R.	FY 2014 Request	Diff. FY14 Request / FY 12 Rev. Enacted
11.1	Full-time permanent	0	0	-3,000	-3,000
11.9	Total personnel compensation	0	0	-3,000	-3,000
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	63,473	63,861	93,473	30,000
	Total	63,473	63,861	90,473	27,000

WORKFORCE INFORMATION/ELECTRONIC TOOLS/SYSTEM BUILDING

CHANGES IN FY 2014

(Dollars in Thousands)

Activity Changes

Built-In

To Provide For:

Costs of pay adjustments	\$0
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Advisory and assistance services	0
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Other services from non-Federal sources	0
---	---

Grants, subsidies, and contributions	0
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Built-Ins Subtotal	\$0
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Net Program	\$27,000
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Direct FTE	0
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	Estimate	FTE
Base	\$63,473	0
Program Increase	\$30,000	0
Program Decrease	-\$3,000	0