

FY 2015

CONGRESSIONAL BUDGET JUSTIFICATION

EMPLOYMENT AND TRAINING ADMINISTRATION

**State Unemployment Insurance and
Employment Service Operations**

STATE UNEMPLOYMENT INSURANCE AND EMPLOYMENT SERVICE OPERATIONS

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STATE UNEMPLOYMENT INSURANCE AND EMPLOYMENT SERVICE OPERATIONS

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For authorized administrative expenses, \$81,566,000, together with not to exceed [\$3,596,813,000]\$3,569,889,000 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]\$2,830,443,000 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]\$132,650,000 to conduct in-person reemployment and eligibility assessments and unemployment insurance improper payment reviews *and to provide reemployment services and referrals to training as appropriate, as specified for purposes of Section 251(b)(2) of the Balanced Budget and Emergency Deficit Control Act of 1985, as amended*, \$10,000,000 for activities to address the misclassification of workers, and \$3,000,000 for continued support of the Unemployment Insurance Integrity Center of Excellence), the administration of unemployment insurance for Federal employees and for ex-service members as authorized under 5 U.S.C. 8501–8523, and the administration of trade readjustment allowances, reemployment trade adjustment assistance, and alternative trade adjustment assistance under the Trade Act of 1974 and under section 231(a) *and 233(b)* of the Trade Adjustment Assistance Extension Act of 2011 (*Public Law 112-40*), and shall be available for obligation by the States through December 31, [2014]2015, except that funds used for automation acquisitions [or] *shall be available for Federal obligation through December 31, 2015, and for State obligation through September 30, 2017, or, if the automation acquisition is being carried out through consortia of States, for State obligation through September 30, 2020 and for expenditure through September 30, 2021,* and funds for competitive grants awarded to States for improved operations, [reemployment and eligibility] *to conduct in-person assessments and reviews and provide reemployment services and referrals*, and [improper payments, or activities] to address misclassification of workers shall be available for Federal obligation through December 31, [2014]2015 and for obligation by the States through September 30, [2016]2017, and funds used for unemployment insurance workloads experienced by the States through September 30, [2014]2015 shall be available for Federal obligation through December 31, [2014]2015: *Provided, That from the amount specified under this paragraph for in-person*

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reemployment and eligibility assessments and unemployment insurance improper payment reviews and to provide reemployment services and referrals to training, the Secretary of Labor shall ensure that sufficient amounts are dedicated to provide such assessments, reviews, services and referrals to all claimants of unemployment insurance for ex-service members under 5 U.S.C. 8521 et. seq. and to identify the factors impeding the employment of such ex-service members;

(2) [~~\$10,676,000~~]~~\$14,547,000~~ from the Trust Fund is for national activities necessary to support the administration of the Federal-State unemployment insurance system;

(3) \$642,771,000 from the Trust Fund, together with \$21,413,000 from the General Fund of the Treasury, is for grants to States in accordance with section 6 of the Wagner-Peyser Act, and shall be available for Federal obligation for the period July 1, [2014]2015 through June 30, [2015]2016;

(4) \$19,818,000 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) [~~\$61,973,000~~]~~\$62,310,000~~ from the Trust Fund is for the administration of foreign labor certifications and related activities under the Immigration and Nationality Act and related laws, of which [~~\$47,691,000~~]~~\$48,028,000~~ shall be available for the Federal administration of such activities, and \$14,282,000 shall be available for grants to States for the administration of such activities; and

(6) \$60,153,000 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]2015 through June 30, [2015]2016:

Provided, That to the extent that the Average Weekly Insured Unemployment ("AWIU") for fiscal year [2014]2015 is projected by the Department of Labor to exceed [3,357,000]2,957,000, 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

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100,000) to carry out title III of the Social Security Act: *Provided further*, That funds appropriated in this Act that are allotted to a State to carry out activities under title III of the Social Security Act may be used by such State to assist other States in carrying out activities under such title III if the other States include areas that have suffered a major disaster declared by the President under the Robert T. Stafford Disaster Relief and Emergency Assistance Act: *Provided further*, That the Secretary may use funds appropriated for grants to States under title III of the Social Security Act to make payments on behalf of States for the use of the National Directory of New Hires under section 453(j)(8) of such Act: *Provided further*, That the Secretary may use funds appropriated for grants to States under title III of the Social Security Act to make payments on behalf of States the entity operating the State Information Data Exchange System: *Provided further*, That funds appropriated in this Act which are used to establish a national one-stop career center system, or which are used to support the national activities of the Federal-State unemployment insurance, *employment service*, or immigration programs, may be obligated in contracts, grants, or agreements with *States and non-State entities*: *Provided further*, That States awarded competitive grants for improved operations under title III of the Social Security Act, or awarded grants to support the national activities of the Federal-State unemployment insurance system, may award subgrants to other States under such grants, subject to the conditions applicable to the grants: *Provided further*, That funds appropriated under this Act for activities authorized under title III of the Social Security Act and the Wagner-Peyser Act may be used by States to fund integrated Unemployment Insurance and Employment Service automation efforts, notwithstanding cost allocation principles prescribed under the Office of Management and Budget 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,

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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]2016, for such purposes.

In addition, [\$20,000,000] \$25,000,000 from the Employment Security Administration Account of the Unemployment Trust Fund shall be available [to conduct] *for the amount of the additional appropriation for in-person reemployment and eligibility assessments and unemployment insurance improper payment reviews and to provide reemployment services and referrals to training as appropriate, as specified for the purposes of section 251(b)(2) of the Balanced Budget and Emergency Deficit Control Act of 1985, as amended, which shall be available for Federal obligation through December 31, 2015, and for State obligation through September 30, 2017. (Department of Labor Appropriations Act, 2014.)*

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EXPLANATION OF LANGUAGE CHANGE

The Administration proposes several changes to the language under the heading “State Unemployment Insurance and Employment Service Operations” for FY 2015 from the language that was enacted for FY 2014.

In paragraph (1), the Administration proposes language to provide that \$132.65 million of the funds appropriated to carry out State administration of the unemployment insurance program be used to conduct in-person reemployment and eligibility assessments and unemployment insurance improper payment reviews and to provide reemployment services and referrals to training as appropriate. In FY 2014, a total of \$80 million was made available to carry out in person assessments and reviews but did not include the provision of reemployment services and referrals to training. The additional resources and reemployment activities are intended to assist in addressing and preventing long-term unemployment by establishing an enhanced, integrated, and expanded Reemployment and Eligibility Assessments and Reemployment Services (REA/RES) program in all States. Based on a successful model established in Nevada, the REA/RES program would combine UI eligibility assessments with reemployment services designed to accelerate the reemployment of claimants. The REA/RES program would provide integrated reemployment services to UI claimants including: in-person interviews to review eligibility for UI benefits; provision of labor market and career information to claimants to inform their career choices; support for the development of a reemployment and work search plan; orientation to services available through American Job Centers; and provision of staff-assisted reemployment services, including skills assessments, career counseling, job matching and referrals, job search assistance workshops, and referrals to training as appropriate. The Administration is proposing legislation that would amend the Balanced Budget and Emergency Deficit Control Act of 1985 (BBEDCA) to provide a series of cap adjustments for the UI State administrative grants to fund activities that will reduce improper payments. The amount specified in paragraph (1) is the base funding for this proposal, which includes the expanded REA/RES program.

In addition, in that paragraph the Administration proposes adding language reserving \$3 million to continue the activities of the UI Integrity Center for Excellence to facilitate the development and implementation of UI integrity tools by the States and share best approaches in order to contribute to the detection and reduction of improper payments. This activity was funded from the grants for improved operations under title III of the Social Security Act in FY 2012 and supports the goals of the Improper Payments Elimination and Recovery Act of 2010 (IPERA), the Improper Payments Elimination and Improvements Act of 2012 (IPERIA), 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 UI payments.

Language is also added to paragraph (1) to include a reference to a section 233(b) of the Trade Adjustment Assistance Extension Act of 2011, which authorizes the continuation of trade readjustment allowances to be paid to individuals certified as eligible for the Trade Adjustment

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Assistance (TAA) for Workers program under petitions filed prior to January 1, 2014, to allow for the use of the appropriation to pay for administration of those allowances.

Language would also be added to paragraph (1) to extend the obligation and expenditure periods for State consortia in automation/Information Technology acquisitions. These acquisitions support benefit and tax systems and could also be used in support of reemployment services. The FY 2014 enacted language allowed States three years to obligate funds for these acquisitions and does not change the general 5-year period during which Federal funds may be expended. However, consortia of states need significant additional time because acquisition decisions must be developed, vetted, and approved by multiple states under varying State requirements, even before the award process begins. In addition, the complexity and technical challenges in implementing automation/IT systems across multiple States may also be time consuming. Therefore, this language would allow state consortia five years to obligate funds for automation acquisition and six years (rather than the current five) after the year of Federal obligation to expend these funds.

At the end of paragraph (1), language would also be added to ensure all veterans receiving unemployment compensation for ex-servicemembers (UCX) would be provided the assessment, review and reemployment services under the REA/RES program. Since transitioning veterans face significant reemployment challenges and tend to have a high rate of exhausting benefits, this assurance is designed to assist in accelerating their reemployment.

In paragraph (4), the Administration proposes deleting language that had provided for the use of the ES national activity funds for amortization payments to States which had independent retirement plans in their State employment service agencies prior to 1980. Those payments are no longer needed.

Language would also be added for a new proviso after the third proviso following the enumerated paragraphs to allow the Department to make payments on behalf of State from administrative grants to the entity operating the State Information Data Exchange System (SIDES). SIDES is a web-based system that provides for the secure electronic transmission of information requests between UI agencies and employers - providing an easy-to-use and efficient portal for employers to submit required data on former employees filing for UI. Similar to the enacted proviso authorizing payments on behalf of states for the National Directory of New Hires, the additional language would enhance efficiencies by allowing the Department to consolidate and make payment on behalf of states using SIDES.

Language would also be added to include the national activities of the employment service in the proviso that currently clarifies that funds used to carry out national activities of the UI system and immigration programs may be obligated in contracts, grants, or agreements with non-State entities, and to further clarify indicates such contracts, grants and agreements may also be entered into with States.

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Finally, language would be revised at the end of SUIESO to add \$25 million to the appropriation in paragraph (1) for the REA/RES program. This represents the cap adjustment proposed by the Administration to the statutory discretionary spending limits under BBEDCA.

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SERVICE OPERATIONS**

AMOUNTS AVAILABLE FOR OBLIGATION						
(Dollars in Thousands)						
	FY 2013 Enacted		FY 2014 Enacted		FY 2015 Request	
	FTE	Amount	FTE	Amount	FTE	Amount
A. Appropriation	0	\$86,068	0	\$81,566	0	\$81,566
Reduction Pursuant to P.L. 113-06 for FY 2013	0	-\$172	0	\$0	0	\$0
Reduction Pursuant to the Balanced Budget and Emergency Deficit Control Act of 1985	0	-\$4,330	0	\$0	0	\$0
Appropriation, Revised	0	\$81,566	0	\$81,566	0	\$81,566
Transfer from SSA:	0	\$0	0	\$0	0	\$0
<i>Subtotal Appropriation</i>	<i>0</i>	<i>\$81,566</i>	<i>0</i>	<i>\$81,566</i>	<i>0</i>	<i>\$81,566</i>
Offsetting Collections From:						
Reimbursements	0	\$10,000	0	\$10,000	0	\$10,000
Trust Funds	181	\$3,940,865	188	\$3,616,813	188	\$3,594,889
Reduction Pursuant to P.L. 113-6 for FY 2013		-7,881				
Reduction Pursuant to the Balanced Budget and Emergency Deficit Control Act of 1985		-201,268				
Trust Funds, Revised		\$3,731,716				
Fees	31	\$13,000	31	\$13,000	31	\$13,000
<i>Subtotal</i>	<i>212</i>	<i>\$3,754,716</i>	<i>219</i>	<i>\$3,639,813</i>	<i>219</i>	<i>\$3,617,889</i>
B. Gross Budget Authority	212	\$3,836,282	219	\$3,721,379	219	\$3,699,455
Offsetting Collections						
Reimbursements	0	-\$10,000	0	-\$10,000	0	-\$10,000
Fees	-31	-\$13,000	-31	-\$13,000	-31	-\$13,000
<i>Subtotal Offsetting Collections</i>	<i>-31</i>	<i>-\$23,000</i>	<i>-31</i>	<i>-\$23,000</i>	<i>-31</i>	<i>-\$23,000</i>
C. Budget Authority	181	\$3,813,282	188	\$3,698,379	188	\$3,676,455
Before Committee	181	\$3,813,282	188	\$3,698,379	188	\$3,676,455
Offsetting Collections From						
Reimbursements	0	\$10,000	0	\$10,000	0	\$10,000
Fees	31	\$13,000	31	\$13,000	31	\$13,000
<i>Subtotal Offsetting Collections</i>	<i>31</i>	<i>\$23,000</i>	<i>31</i>	<i>\$23,000</i>	<i>31</i>	<i>\$23,000</i>
D. Total Budgetary Resources	212	\$3,836,282	219	\$3,721,379	219	\$3,699,455
Other Unobligated Balances	-3	\$0	0	\$0	0	\$0
Unobligated Balance Expiring	0	\$380	0	\$0	0	\$0
E. Total, Estimated Obligations	209	\$3,836,662	219	\$3,721,379	219	\$3,699,455

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SUMMARY OF CHANGES

(Dollars in Thousands)

	FY 2014 Enacted	FY 2015 Request	Net Change
Budget Authority			
General Funds	\$81,566	\$81,566	\$0
Trust Funds	\$3,616,813	\$3,594,889	-\$21,924
Total	\$3,698,379	\$3,676,455	-\$21,924
Full Time Equivalents			
General Funds	0	0	0
Trust Funds	188	188	0
Total	188	188	0

Explanation of Change	FY 2014 Base		FY 2015 Change					
	FTE	Amount	Trust Funds		General Funds		Total	
	FTE	Amount	FTE	Amount	FTE	Amount	FTE	Amount
Increases:								
A. Built-Ins:								
To Provide For:								
Costs of pay adjustments	188	\$17,743	0	\$169	0	\$0	0	\$169
Personnel benefits	0	\$5,231	0	\$0	0	\$0	0	\$0
Benefits for former personnel	0	\$115	0	\$0	0	\$0	0	\$0
Travel and transportation of persons	0	\$30	0	\$0	0	\$0	0	\$0
Transportation of things	0	\$0	0	\$0	0	\$0	0	\$0
Rental payments to GSA	0	\$2,274	0	\$168	0	\$0	0	\$168
Rental payments to others	0	\$0	0	\$0	0	\$0	0	\$0
Communications, utilities, and miscellaneous charges	0	\$350	0	\$0	0	\$0	0	\$0
Printing and reproduction	0	\$20	0	\$0	0	\$0	0	\$0
Advisory and assistance services	0	\$11,353	0	\$0	0	\$0	0	\$0
Other services from non-Federal sources	0	\$10	0	\$0	0	\$0	0	\$0
Working Capital Fund	0	\$4,042	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	\$175	0	\$0	0	\$0	0	\$0
Other goods and services from Federal sources	0	\$0	0	\$0	0	\$0	0	\$0
Research & Development Contracts	0	\$0	0	\$0	0	\$0	0	\$0
Operation and maintenance of facilities	0	\$0	0	\$0	0	\$0	0	\$0
Operation and maintenance of equipment	0	\$5,918	0	\$0	0	\$0	0	\$0
Supplies and materials	0	\$170	0	\$0	0	\$0	0	\$0
Equipment	0	\$260	0	\$0	0	\$0	0	\$0

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Explanation of Change	FY 2014 Base		FY 2015 Change					
	FTE	Amount	Trust Funds		General Funds		Total	
			FTE	Amount	FTE	Amount	FTE	Amount
Grants, subsidies, and contributions	0	\$3,650,688	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	188	+\$3,698,379	0	+\$337	0	\$0	0	+\$337
B. Programs:								
Reemployment Services and Eligibility Assessments	0	\$80,000	0	\$77,650	0	\$0	0	\$77,650
UI Reporting System Infrastructure	0	\$10,676	0	\$1,971	0	\$0	0	\$1,971
National Activities-ICON	0	\$0	0	\$1,900	0	\$0	0	\$1,900
Programs Subtotal			0	+\$81,521	0	\$0	0	+\$81,521
Total Increase	188	+\$3,698,379	0	+\$81,858	0	\$0	0	+\$81,858
Decreases:								
A. Built-Ins:								
To Provide For:								
Built-Ins Subtotal	0	\$0	0	\$0	0	\$0	0	\$0
B. Programs:								
Unemployment Insurance State Administration	0	\$2,798,575	0	-\$103,782	0	\$0	0	-\$103,782
Programs Subtotal			0	-\$103,782	0	\$0	0	-\$103,782
Total Decrease	0	\$0	0	-\$103,782	0	\$0	0	-\$103,782
Total Change	188	+\$3,698,379	0	-\$21,924	0	\$0	0	-\$21,924

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SUMMARY BUDGET AUTHORITY AND FTE BY ACTIVITY								
(Dollars in Thousands)								
	FY 2013 Enacted		FY 2014 Enacted		FY 2015 Request		Diff. FY15 Request / FY14 Enacted	
	FTE	Amount	FTE	Amount	FTE	Amount	FTE	Amount
Unemployment Insurance	0	3,007,154	0	2,892,251	0	2,869,990	0	-22,261
Unemployment Trust Funds	0	3,007,154	0	2,892,251	0	2,869,990	0	-22,261
State Administration	0	2,949,685	0	2,801,575	0	2,697,793	0	-103,782
Unemployment Trust Funds	0	2,949,685	0	2,801,575	0	2,697,793	0	-103,782
Reemployment Eligibility Assessments- UI Integrity	0	46,793	0	80,000	0	157,650	0	77,650
Unemployment Trust Funds	0	46,793	0	80,000	0	157,650	0	77,650
Average Weekly Insured Unemployment	0	0	0	0	0	0	0	0
National Activities	0	10,676	0	10,676	0	14,547	0	3,871
Unemployment Trust Funds	0	10,676	0	10,676	0	14,547	0	3,871
Employment Service	0	684,002	0	684,002	0	684,002	0	0
General Funds	0	21,413	0	21,413	0	21,413	0	0
Unemployment Trust Funds	0	662,589	0	662,589	0	662,589	0	0
Grants to States	0	664,184	0	664,184	0	664,184	0	0
General Funds	0	21,413	0	21,413	0	21,413	0	0
Unemployment Trust Funds	0	642,771	0	642,771	0	642,771	0	0

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SUMMARY BUDGET AUTHORITY AND FTE BY ACTIVITY								
(Dollars in Thousands)								
	FY 2013 Enacted		FY 2014 Enacted		FY 2015 Request		Diff. FY15 Request / FY14 Enacted	
	FTE	Amount	FTE	Amount	FTE	Amount	FTE	Amount
Employment Service National Activities	0	19,819	0	19,818	0	19,818	0	0
Unemployment Trust Funds	0	19,819	0	19,818	0	19,818	0	0
Foreign Labor Certification	183	61,973	188	61,973	188	62,310	0	337
Unemployment Trust Funds	0	61,973	188	61,973	188	62,310	0	337
Federal Administration	183	47,691	188	47,691	188	48,028	0	337
Unemployment Trust Funds	0	47,691	188	47,691	188	48,028	0	337
FLC State Grants	0	14,282	0	14,282	0	14,282	0	0
Unemployment Trust Funds	0	14,282	0	14,282	0	14,282	0	0
Workforce Information-Electronic Tools- System Building	0	60,153	0	60,153	0	60,153	0	0
General Funds	0	60,153	0	60,153	0	60,153	0	0
Total	183	3,813,282	188	3,698,379	188	3,676,455	0	-21,924
General Funds	0	81,566	0	81,566	0	81,566	0	0
Unemployment Trust Funds	183	3,731,716	188	3,616,813	188	3,594,889	0	-21,924

NOTE: FY 2013 reflects actual FTE.

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BUDGET AUTHORITY BY OBJECT CLASS					
(Dollars in Thousands)					
		FY 2013 Enacted	FY 2014 Enacted	FY 2015 Request	Diff. FY15 Request / FY14 Enacted
	Full-Time Equivalent				
	Full-time Permanent	181	188	188	0
	Other	31	31	31	0
	Total	212	219	219	0
	Average ES Salary	\$159,873	\$159,873	\$159,873	\$0
	Average GM/GS Grade	12	12	12	0
	Average GM/GS Salary	\$91,375	\$95,512	\$95,512	\$0
	Average Salary of Ungraded Positions	0	0	0	0
11.1	Full-time permanent	16,860	17,559	17,728	169
11.3	Other than full-time permanent	0	0	0	0
11.5	Other personnel compensation	4	184	184	0
11.9	Total personnel compensation	16,864	17,743	17,912	169
12.1	Civilian personnel benefits	5,083	5,231	5,231	0
13.0	Benefits for former personnel	0	115	115	0
21.0	Travel and transportation of persons	22	30	30	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	2,316	2,274	2,442	168
23.2	Rental payments to others	0	0	0	0
23.3	Communications, utilities, and miscellaneous charges	397	350	350	0
24.0	Printing and reproduction	15	20	20	0
25.1	Advisory and assistance services	13,422	11,353	11,353	0
25.2	Other services from non-Federal sources	8	10	10	0
25.3	Other goods and services from Federal sources 1/	4,194	4,217	4,042	0
25.4	Operation and maintenance of facilities	5	0	0	0
25.5	Research and development contracts	0	0	0	0
25.7	Operation and maintenance of equipment	4,775	5,918	5,918	0
26.0	Supplies and materials	240	170	170	0
31.0	Equipment	339	260	260	0
33.0	Investments and Loans	0	0	0	0
38.0	Depreciation Expense - Unfunded	0	0	0	0
41.0	Grants, subsidies, and contributions	3,765,590	3,650,688	3,628,427	-22,261
42.0	Insurance claims and indemnities	11	0	0	0
	Total	3,813,281	3,698,379	3,676,455	-21,924
	1/Other goods and services from Federal sources				
	Working Capital Fund	3,991	4,042	4,042	0
	DHS Services	203	175	175	0

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SIGNIFICANT ITEMS IN APPROPRIATIONS COMMITTEES' REPORTS

Omnibus Conference Report

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The Committee recommends that to the extent that funds not needed for workload become available at the end of the fiscal year, the Department is encouraged to make funding available to States for program integrity, performance improvement, and technology investments, with a portion of funds not needed for workload to be distributed to all States proportionally based on each State's base allocation.

ETA Response: The Department agrees with this approach. The amount of funds available for these purposes will be determined based on state workloads. The Department will be better positioned to estimate these amounts later in the fiscal year.

Senate Report (S. 113-71)

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The Committee recommendation supports investments in UI program integrity activities, including technology-based programs that identify and reclaim overpayments. The Committee requests a report no later than March 1, 2014, on the Department's plan to address the detection and recovery of improper payments, including desired outcomes and steps it will take to help States improve their performance. The Committee also expects the Secretary to submit a report by June 30, 2015, providing the status of the outcomes identified in the March 1, 2014, plan.

ETA Response: The Department takes the issue of UI improper payments very seriously and has been working in partnership with states over the last four years to bring down the rate. The Department is already implementing a robust strategic plan to prevent, detect, and recover UI improper payments by targeting the largest root causes of overpayments. The plan is continuously evolving as new strategies are identified. Each of the strategies is constantly monitored and evaluated, with new strategies being developed and added as quickly as feasible. The Department expects that state implementation of these strategies will enable the UI program to meet the improper payment rate target of less than 10 percent established by the Improper Payment Elimination and Recovery Act of 2010 (IPERA). In addition, the Department is actively working with OMB to take advantage of lessons learned from other Federal agencies.

As requested in the Fiscal Year 2014 Consolidated Appropriations Act (Act), the Department will provide its plan to the Committee to address the detection and recovery of improper payments in the UI program. The Department proposes a new due date for this report of April 30, 2014.

STATE UNEMPLOYMENT INSURANCE AND EMPLOYMENT SERVICE OPERATIONS

In addition, the Department will provide an update on the status of the desired outcomes established in this report as requested by the Committee. The Department proposes a new due date for this report of September 30, 2015.

STATE UNEMPLOYMENT INSURANCE AND EMPLOYMENT SERVICE OPERATIONS

APPROPRIATION HISTORY (Dollars in Thousands)					
	Budget Estimates to Congress	House Allowance	Senate Allowance	Appropriations	FTE
2005					
Base Appropriation...1/	\$3,593,434	\$0	\$0	\$3,646,709	0
2006					
Base Appropriation...2/	\$3,483,366	\$0	\$19,514	\$3,371,157	0
2007					
Base Appropriation	\$3,448,717	\$0	\$0	\$3,353,350	0
2008					
Base Appropriation...3/ 4/	\$3,351,753	\$0	\$0	\$3,278,883	0
Supplemental	\$0	\$0	\$0	\$110,000	0
Scorekeeping Adjustments	-\$4,100	\$0	\$0	\$0	0
2009					
Base Appropriation...5/ 6/	\$2,795,914	\$0	\$17,295	\$3,707,865	162
2010					
Base Appropriation	\$4,114,556	\$0	\$0	\$4,124,681	181
2011					
Base Appropriation...7/	\$4,448,327	\$0	\$0	\$4,115,672	178
2012					
Base Appropriation...8/	\$4,215,057	\$0	\$0	\$4,103,518	181
2013					
Base Appropriation	\$3,962,240	\$0	\$25,000	\$3,813,205	181
2014					
Base Appropriation	\$3,825,699	\$0	\$0	\$3,718,197	188
2015				\$3,676,455	0

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

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

3/ Reflects 1.747% rescission.

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

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

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

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

8/ 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 to serve job seekers with disabilities.

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.

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BUDGET AUTHORITY BEFORE THE COMMITTEE				
(Dollars in Thousands)				
	FY 2013 Enacted	FY 2014 Enacted	FY 2015 Request	Diff. FY15 Request / FY14 Enacted
Activity Appropriation	3,007,154	2,892,251	2,869,990	-22,261
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 temporarily or permanently laid off from their jobs. To be eligible for benefits, workers must have recently worked, be involuntarily separated through no fault of their own, and be 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 American Job Center network and services that speed their return to work. Reemployment is crucial to maintaining workers' long-term economic security. This program supports the Department's Strategic Goal 4: to secure retirement, health, and other employee benefits and, for those not working, provide income security; and Strategic Objective 4.1: to provide income support when work is impossible or unavailable and facilitate return to work

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 Great Recession. The study concluded that, on average, each \$1.00 of UI benefits spent generated \$2.00 in economic activity.

Regular UI benefits and administration are funded by state payroll and federal taxes, respectively. States administer the UI program directly and also administer certain federal UI benefit programs. UI National Activities provides funds with which the Department supports the states collectively in administering state UI programs. Funding for Reemployment and Eligibility Assessments supports states conducting in-person interviews in American Job Centers with selected UI beneficiaries – promoting faster reemployment 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.

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The following are the primary areas of strategic focus for the UI program in Fiscal Year (FY) 2015:

- Improving UI integrity by employing strategies to prevent, detect, and recover improper payments;
- Improving program performance and accountability by partnering with State Workforce Agencies to develop and implement action strategies and provide technical assistance to states;
- Deploying re-employment strategies effectively to ensure UI claimants, including transitioning veterans, have access to the full continuum of available services; and
- Delivering high-quality services to help the long-term unemployed find jobs that provide a good quality of life.

The FY 2015 President's Budget request includes several proposals to speed the reemployment of the long-term unemployed, improve program integrity, improve the solvency of state trust funds, and enable states to more effectively prevent, detect, and recover improper payments. These are a combination of proposals, some of which can be carried out with discretionary appropriations and others that require authorizing legislation. These initiatives complement the Budget's mandatory proposals, including the New Career Pathways Program, Bridge to Work, Back to Work Partnerships, to connect more unemployed workers to jobs.

The first of these proposals requests additional discretionary funds to provide Reemployment and Eligibility Assessments and Reemployment Services (REA/RES) to the quarter of profiled UI claimants identified as most likely to exhaust their benefits and all transitioning veterans by building on the success of the existing Reemployment and Eligibility Assessment (REA) program. The initiative will pair UI eligibility assessments with reemployment services demonstrated to produce successful employment outcomes, an approach that has been shown to be successful. By helping to ensure both the proper payment of UI benefits and by putting claimants back to work faster, the REA/RES initiative is projected to produce \$420,000,000 in benefits savings to states in FY 2015.

The second proposal proposes authorizing legislation to mandate states' use of the State Information Data Exchange System (SIDES). SIDES provides a standardized, secure electronic platform for the transmission of employer-provided data on the reasons individuals separated from employment –allowing state UI agencies, employers, and third-party administrators to reduce costs, improve the timeliness and accuracy of Unemployment Compensation claims processing, and reduce improper payments. Separation issues are the third largest cause of UI overpayment.

The third proposal establishes an offset for concurrent receipt of Social Security Disability Insurance (DI) and UI. Under this legislative proposal, an individual's DI benefits would be reduced, dollar for dollar, in any month in which that person also receives a state or Federal UI benefit - eliminating duplicative payments covering the same period a beneficiary is out of the workforce, while still providing a base level of income support.

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The fourth 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.

The FY 2015 President's Budget also includes a proposal to address the solvency crisis in the UI system. The recent economic downturn severely tested the solvency of states' UI systems, forcing states to borrow to continue paying benefits. These debts are now being repaid through additional taxes on employers. To provide short-term relief to employers in these states, the FY 2015 President's Budget proposes a suspension of interest on state UI borrowing in 2014 and 2015 and an accompanying suspension of the Federal Unemployment Tax Act (FUTA) credit reduction (an automatic debt repayment mechanism) for those years. To address the need for states to return unemployment trust funds to solvency, the FY 2015 President's Budget proposes to increase the FUTA taxable wage base to \$15,000 starting in 2017 and index it to average wages thereafter. States with lower wage bases will need to adjust their UI tax structures. The effective FUTA tax rate will be returned to 0.8 percent in 2015 to strengthen the solvency of the federal trust fund accounts. The FUTA tax rate will subsequently be lowered in a revenue-neutral way to 0.37 percent in 2017 when the wage base is increased so that the tax per worker (\$56) in 2017 is equal to tax per worker under the proposed 0.8 percent rate on a \$7,000 wage base in 2016. 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.

Five-Year Budget Activity History

<u>Fiscal Year</u>	<u>Funding</u> (Dollars in Thousands)	<u>FTE</u>
2010	\$3,256,955	0
2011	\$3,250,441	0
2012	\$3,236,314	0
2013	\$3,007,154	0
2014	\$2,892,251	0

UNEMPLOYMENT INSURANCE

DETAILED WORKLOAD AND PERFORMANCE					
		FY 2013 Enacted		FY 2014 Enacted	FY 2015 Request
		Target	Result	Target	Target
Unemployment Insurance					
Unemployment Insurance					
Strategic Goal 4 - Secure retirement, health, and other employee benefits and, for those not working, provide income security					
Strategic Objective 4.1 - Provide income support when work is impossible or unavailable and facilitate return to work					
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.	62.50%	62.50%	64.70%	0.00%
ETA-CH2-UI-GPRA-01	Payment Timeliness: Percent of all intrastate first payments that will be made within 21 days.	87.10%	81.00%	87.10%	87.50%
ETA-CH2-UI-GPRA-02	Detect Overpayments: Percent of the amount of estimated overpayments that States detect established for recovery.	54.10%	57.20%	54.20%	55.30%
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.	88.4%	88.6%	88.9%	89.0%
	Employer Tax Accounts (in thousands)	7,713	7,735	7,767	7,849
	Initial Claims Taken (in thousands)	19,171	18,559	18,009	19,094
	Weeks Claimed (in thousands)	164,083	161,929	154,430	152,589
	Improper Payment Rate*	9.23%	9.28%	0.00%	0.00%
ETA-CH2-UI-02	Overpayment Annual Report Rate*	8.59%	8.75%	0.00%	0.00%
	Underpayment Rate*	0.64%	0.53%	0.00%	0.00%

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DETAILED WORKLOAD AND PERFORMANCE					
		FY 2013 Enacted		FY 2014 Enacted	FY 2015 Request
		Target	Result	Target	Target
ETA-OUI-04	Fraud and Non-fraud Recoverable Overpayments** (Operational Rate)	5.57%	6.15%	5.47%	5.37%
ETA-OUI-05	Benefit Year Earning (BYE) Rate**	2.83%	3.82%	2.73%	2.63%
ETA-OUI-06	Separation Issues Rate**	2.17%	2.03%	2.07%	1.97%
ETA-OUI-07	Employment Service (ES) Registration Rate**	0.91%	--	0.81%	0.71%

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

** The FY 2013 Improper Payment Rate for the UI program includes the netting out of UI overpayment recoveries from total overpayments. The Improper Payments Elimination and Recovery Improvement Act of 2012 (IPERIA) requires agencies to include all identified improper payments in the reported estimate, regardless of whether the improper payment in question has been or is being recovered. ETA, in collaboration with the OCFO, is in consultation with the Office of Management and Budget regarding a revised methodology for estimating improper payment rate. Targets will be provided upon OMB approval of the revised methodology.*

*** UI reemployment for the period July 2012 to June 2013, the most recent data available.*

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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 weeks claimed — from 161,929,000 in FY 2013 to 152,589,000 in FY 2015 – and an increase in the number of initial claims taken and employer tax accounts — from 18,559,000 and 7,735,648,000 in FY 2013 to 19,094,000 and 7,849,000 in FY 2015, respectively. 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.

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BUDGET ACTIVITY BY OBJECT CLASS					
(Dollars in Thousands)					
		FY 2013 Enacted	FY 2014 Enacted	FY 2015 Request	Diff. FY15 Request / FY14 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
25.2	Other services from non-Federal sources	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	3,007,154	2,892,251	2,869,990	-22,261
	Total	3,007,154	2,892,251	2,869,990	-22,261

UNEMPLOYMENT INSURANCE

CHANGES IN FY 2015

(Dollars in Thousands)

Activity Changes

Built-In

To Provide For:

Costs of pay adjustments	\$0
Advisory and assistance services	0
Other services from non-Federal sources	0
Operation and maintenance of equipment	0
Equipment	0
Grants, subsidies, and contributions	0

Built-Ins Subtotal **\$0**

Net Program **-\$22,261**

Direct FTE **0**

	Estimate	FTE
Base	\$2,892,251	0
Program Increase	\$81,521	0
Program Decrease	-\$103,782	0

STATE ADMINISTRATION

BUDGET AUTHORITY BEFORE THE COMMITTEE				
(Dollars in Thousands)				
	FY 2013 Enacted	FY 2014 Enacted	FY 2015 Request	Diff. FY15 Request / FY14 Enacted
Activity Appropriation	2,949,685	2,801,575	2,697,793	-103,782
FTE	0	0	0	0

Introduction

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

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

In FY 2015, the Department has developed strategic action plans in four key areas to promote program and performance improvement: 1) program accountability and performance; 2) program integrity and reduction of improper payments; 3). reemployment of UI claimants; and 4) improved information technology infrastructure.

Program Accountability and Performance:

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

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

There are two national measures established to monitor progress with a goal of continuous improvement with responsibility shared by both state and Federal partners.

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- 1) **Payment Timeliness:** 87.5 percent of all state UI intrastate first payments for weeks of full unemployment will be 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) **Establish Tax Accounts Promptly:** 89.0 percent of the UI tax liability determinations for new employers will be made within 90 days of the end of the quarter in which employers become liable.

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

Program Integrity and Reduction of Improper Payments:

A high priority at the Department is to reduce UI improper payments as quickly as possible. Strategies designed to advance these efforts include:

- Implementation of strategies to address root causes of improper payments. The Department has developed a comprehensive Improper Payments Strategic plan to address the root causes of improper payments and is aggressively working to implement the strategies/actions in the plan in conjunction with state partners. Activities include implementation of new performance measures; developing new improper payment prevention tools; enhancing existing tools; intensive monitoring of underperforming states; and targeted technical assistance and funding.
- Worker Misclassification Initiative. The Department will continue the cross-agency initiative with its Wage and Hour Division, state UI agencies, the Internal Revenue Service to aggressively pursue employers who purposefully misclassify workers and to develop better information-sharing strategies across programs. Additionally, the Department will continue individualized technical assistance to address activities such as state commitment of audit resources, auditing procedures, audit selection methods, and data-sharing initiatives as well as develop plans to issue grants to states for initiating and/or enhancing their worker misclassification programs. The FY 2015 budget continues competitive funding for states to increase capacity to detect misclassification and provide incentive grants to states with significantly improved performance in this area.
- Continue with the implementation 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. Its mission also includes offering states technical assistance and collecting and disseminating best practices among the states. Center activities supplement and support, but do not duplicate, activities that states are already implementing to reduce UI improper payments by 1) providing states with

STATE ADMINISTRATION

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. New activities in FY 2014 and FY 2015 include identifying model integrity state operations and providing on-site technical assistance to support state improvements.

The national measure that has been established to monitor the progress in this focus area is:

- 3) Detection of Overpayments (previously known as “Payment Accuracy”): Establish for recovery at least 55.3 percent of the amount of estimated regular program overpayments that states can detect and recover.

Ensuring that benefits are paid only to those who meet eligibility requirements and that erroneous payments made are detected and recovered is critical to the integrity of any benefit payment program.

Reemployment of UI Claimants

The Department will continue to focus on reemployment strategies for UI claimants in order to further speed up the reemployment outcomes for UI claimants. The initiative will build on the success of the existing Reemployment and Eligibility Assessment (REA) program in FY2015 and favorable evidence about this approach by establishing an enhanced Reemployment and Eligibility Assessments and Reemployment Services (REA/RES) program. This initiative will target enhanced reemployment services and eligibility assessments to the top one-quarter of profiled UI claimants most likely to exhaust their benefits and to transitioning veterans receiving Unemployment Compensation for Ex-servicemembers (UCX). Modeled on a successful Nevada initiative, recent research¹ found the REA/RES model to be effective in the following ways:

- 1) Claimants were significantly less likely to exhaust their benefits
- 2) Claimants had significantly shorter UI durations and lower total benefits paid (1.82 fewer weeks and \$536 lower total benefits paid)
- 3) Claimants were more successful in returning to work sooner in jobs with higher wages and retaining their jobs
- 4) \$2.60 of savings were produced for every \$1.00 of cost.

By applying this integrated approach to the long-term unemployed and transitioning veterans nationally, it is estimated that this initiative will reduce the average duration of UI benefit receipt by 1.1 weeks for claimants participating in the REA/RES program and will result in savings of approximately \$420,000,000 in FY 2015.

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

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Facilitating UI beneficiaries' return to suitable employment is an underlying purpose of the UI program. Although the UI program does not provide reemployment services directly, many of its payment eligibility provisions, such as the work search and ES registration requirements are designed to connect UI beneficiaries to the workforce system and promote reemployment.

Integrated cross-program reemployment measures will be developed that will (1) promote cross-program strategies that improve reemployment outcomes for UI claimants, and (2) ensure the responsibility for improved outcomes is jointly owned across programs:

- 5) Entered employment rate for UI claimants receiving Wagner-Peyser Act services.
- 6) Employment retention rate for UI claimants receiving Wagner-Peyser Act services.
- 7) Average six-month earnings for UI claimants receiving Wagner-Peyser Act services.

Past Performance Results and Future Projections

1) **Payment Timeliness**: Performance fell below the FY 2013 target of 87.0 percent; 81.0 percent of first payments were made within 14-21 days, down from the FY 2012 level of 82.9 percent. In FY 2013, timeliness declined in 29 states, in one of them by double digits. Given the gap between 2013 performance and the 2014 target and the performance trend, performance seems likely to fall short of the FY 2014 target of 87.1 percent.

The decrease in timeliness in 2013 occurred despite a continuing decrease in workload. The decline in performance by states has been attributed to staff layoffs associated with reduction in administrative funding resulting from lower workloads from the temporary federal programs, staff turnover--especially retirements--and lack of trained staff for making claim eligibility determinations, Information Technology system issues, and backlogs in the claims-taking and adjudication units. In FY 2013, new initial claims for the regular UI and EB programs decreased by 10 percent from FY 2012. The economic outlook for FY 2014 and FY 2015 indicates new applications will continue to drop as unemployment rates will decline to 7.1 percent and 6.6 percent, respectively, from FY 2013's 7.6 percent. Consistent with the projected improvement in the labor market, FY 2014 and FY 2015 targets for first payment timeliness were set above the FY 2013 performance level, reflecting ETA's special efforts to raise performance in a few chronically underperforming states. Recent results suggest that special efforts in a few states that have resulted in improved performance have been offset by declining performance in other states.

2) **Detection of Overpayments**: States detected and established for recovery 57.2 percent of the estimated overpayments, which exceeded the FY 2013 target of 54.1 percent. Statistical analysis of this measure suggests that the 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.

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Additionally, the Department has developed a comprehensive plan which includes targeted strategies to improve prevention, detection and recovery of improper payments by states. These factors are reflected in the rising targets for FY 2014 and 2015.

Statistical model results indicate that the amount of UI benefits paid and the insured unemployment rate are the main drivers of overpayment detections. The nearly 4-point increase in performance between FY 2011 and 2012 is partly attributable to the rise in Extended Benefits (EB) payments. EB payments totaled \$8.0 billion in 2010 and \$11.9 billion in 2011. EB overpayment establishments reported 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, some EB overpayments were included in established overpayments (the numerator of the detection of overpayments ratio) but not in its denominator. States began reporting EB overpayments separately on the revised the ETA 227 report in the March 2012 quarter of 2012. FY 2013 227 data largely eliminated any inflation of the measure due to the inclusion of EB overpayments. The preliminary detection ratio for the year ending December 31, 2013, 64.2%, is well above the FY 2014 target of 54.2 percent and should have no upward bias due to inclusion of EB overpayments.

3) Establish Tax Accounts Promptly: In FY 2013, 88.6 percent of new status determinations were made within 90 days of the end of the quarter in which the firm became liable. This represents drop of 0.1 percentage point from the year before but still exceeded the 88.4 percent target.

Statistical studies have indicated that new status timeliness primarily reflects a significant uptrend trend since 1997, driven by improvements in automation and adoption of best practices. The recession temporarily disrupted the trend as many states reassigned staff from tax to UI claims functions in response to the sharply increased claims workloads. This caused status determinations timeliness to decline in FY 2008 and FY 2009. In 2010, performance has resumed its upward trend until 2013 when performance flattened out, reflecting the same state workforce factors affecting first payments. In 2013, 26 states' performance improved and 26 declined. The upward trend is expected to resume through FY 2014 and FY 2015, which is reflected in the modestly higher targets -- 88.9 percent and 89.0 percent respectively.

- 4) Entered Employment rate for UI claimants receiving Wagner-Peyser Act services (Unemployment Insurance)**
- 5) Entered Employment retention rate for UI claimants receiving Wagner-Peyser Act services (Unemployment Insurance)**
- 6) Average six-month earnings for UI claimants receiving Wagner-Peyser Act services (Unemployment Insurance)**

Helping UI claimants become reemployed is a shared responsibility across multiple workforce programs including the UI program, the ES, and the WIA programs for adults and dislocated workers.

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The UI program currently has a performance measure -- Facilitate Reemployment -- which is 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 2013 target is 63.4 percent, and as of the third quarter of FY 2013, the most recent data available, performance was 62.5 percent. The FY 2014 target was set at 64.7 percent. Targets are established using regression analysis that controls for fluctuations in the labor market as reflected in the state's Total Unemployment Rate, seasonality, and the proportion of state claims where the claimant is exempt from active work search or ES registration requirements because of job attachment such as a definite return to work date. Because this measure largely reflects broader labor market conditions, it is limited as a measure of state performance in providing reemployment services that facilitate the claimant's return to work.

In FY 2013, states began reporting individual participant data for the Wagner-Peyser program. Previously, there was no way to disaggregate Wagner-Peyser data to determine the employment outcomes of UI claimants. This is significant because all states require non-job attached claimants to register with the state's ES. The newly collected data will allow states to track the common measures for most UI claimants.

To develop the most impactful integrated reemployment measure for UI claimants will require additional data analysis, modeling, and development work. In FY 2013, ETA established a workgroup to determine the feasibility of developing an integrated measure, identify and conduct an inventory available data sources as well as discuss additional steps for developing and implementing a measure. In FY 2014, ETA will continue workgroup activities to analyze the data and develop the performance criteria for the measure. ETA will complete the analysis needed to establish performance targets in FY 2014 and full implementation of the measure will occur in FY 2015.

Five-Year Budget Activity Component History

<u>Fiscal Year</u>	<u>Funding</u> (Dollars in Thousands)	<u>FTE</u>
2010	\$3,195,645	0
2011	\$3,189,254	0
2012	\$3,175,142	0
2013	\$2,949,685	0
2014	\$2,801,575	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.

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In developing administrative funding allocations for states, the Department uses state-specific information that relates directly to administrative costs 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.

FY 2015

The FY 2015 Budget Request for UI State Administration is \$2,697,793,000. The funds requested are sufficient to process, on average, 2,957,000 continued claims per week (referred to as the average weekly insured unemployment (AWIU), and including claims made under the Trade Act of 1974, as amended. During the year, states are expected to collect \$50.2 billion in state unemployment taxes and pay an estimated \$39.9 billion in federal and state UI benefits to 10.7 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.

The request continues the contingency reserve language that provides for additional funds to meet unanticipated UI workloads. This contingency reserve provides \$28,600,000 for each 100,000 increase in the total AWIU. In addition, the appropriation language allows states up to three years to obligate UI funds if those funds are used for automation activities, competitive grants for improved operations, or reemployment and eligibility assessment and improper payment activities – effectively allowing states to obligate FY 2015 funds used for these purposes until September 30, 2017. The appropriation language also allows states up to five years to obligate funds for automation acquisitions if the acquisitions are made by a consortium of state agencies leveraging resources to implement a common IT platform across multiple states.

The FY 2015 Budget includes \$10,000,000 to continue a high-performance award program to improve state worker misclassification efforts. Modeled on a successful Supplemental Nutrition Assistance Program enterprise, this initiative provides 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. States can use these incentive grants to upgrade misclassification detection and enforcement programs. As part of this initiative, states must capture and report outcomes and cost/benefit information to enable the evaluation of new strategies.

The FY 2015 Budget also includes \$3,000,000 for continued support of the UI Integrity Center of Excellence. The Center supports the goals of the Improper Payments Elimination and Recovery Act of 2010 (IPERA), the Improper Payments Elimination and Improvements Act of 2012 (IPERIA), 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.

STATE ADMINISTRATION

FY 2014

The FY 2014 Budget appropriated \$2,801,575,000 for UI State Administration, an amount sufficient to process, on average, 3,357,000 continued claims per week (referred to as the average weekly insured unemployment (AWIU), and including claims made under the Trade Act of 1974, as amended. During the year, states are expected to collect \$52.1 billion in state unemployment taxes and pay an estimated \$44.7 billion in federal and state UI benefits to 11.9 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.

The FY 2014 UI State Administration appropriation also included \$10,000,000 to improve state worker misclassification efforts. Of these funds, \$8,000,000 will be made available in competitive grants to increase states' capacity to detect and prevent worker misclassification and to enforce state UI laws on the classification of workers. In addition, \$2,000,000 will be awarded to states that have demonstrated a high level of performance or significant improvement at detecting and prosecuting employers who fail to pay their fair share of UI taxes due to worker misclassification. Efforts advanced under this initiative may include projects to:

- Establish a task force to target worker misclassification schemes;
- Improve systems that enable states to share data with Federal and state agencies;
- Implement targeted audit strategies to focus on those employers most likely to misclassify workers; and
- Develop education and outreach programs for employers to help prevent misclassification.

FY 2013

In FY 2013, \$2,939,705,151 was appropriated for UI State Administration (post-sequestration). States collected \$49.0 billion in state unemployment taxes and paid \$66.8 billion in federal and state UI benefits to 13.1 million beneficiaries in FY2013.

STATE ADMINISTRATION

CHANGES IN FY 2015

(Dollars in Thousands)

Activity Changes

Built-In

To Provide For:

Costs of pay adjustments	\$0
Other services from non-Federal sources	0
Operation and maintenance of equipment	0
Grants, subsidies, and contributions	0

Built-Ins Subtotal **\$0**

Net Program **-\$103,782**

Direct FTE **0**

	Estimate	FTE
Base	\$2,801,575	0
Program Decrease	-\$103,782	0

REEMPLOYMENT AND ELIGIBILITY ASSESSMENTS AND REEMPLOYMENT SERVICES

BUDGET AUTHORITY BEFORE THE COMMITTEE				
(Dollars in Thousands)				
	FY 2013 Enacted	FY 2014 Enacted	FY 2015 Request	Diff. FY15 Request / FY14 Enacted
Activity Appropriation	46,793	80,000	157,650	77,650
FTE	0	0	0	0

Introduction

To address and prevent long term unemployment, the Department proposes to build on the success of the existing Reemployment and Eligibility Assessment (REA) program and establish an enhanced, integrated, and expanded Reemployment and Eligibility Assessments and Reemployment Services (REA/RES) program in all states. Based on a successful model established in Nevada, the REA/RES program will pair UI eligibility assessments with reemployment services designed to put claimants back to work faster. The program will be targeted to the quarter of UI claimants most likely to exhaust their benefits and all transitioning veterans receiving Unemployment Compensation for Ex-servicemembers (UCX).

Research has shown that an integrated approach providing both reemployment services and UI eligibility assessment effectively helps claimants find jobs faster, eliminates payments to ineligible individuals, reduces UI duration, and saves UI trust fund resources by reducing overall benefit payments. The REA/RES program is based on a successful model established in Nevada in which eligibility assessments were delivered seamlessly with reemployment services. Recent research² on that service-delivery model found it to be effective in the following ways:

- 1) Claimants were significantly less likely to exhaust their benefits;
- 2) Claimants had significantly shorter UI durations and lower total benefits paid (1.82 fewer weeks and \$536 lower total benefits paid);
- 3) Claimants were more successful in returning to work sooner in jobs with higher wages and retaining their jobs; and
- 4) \$2.60 of savings were produced for every \$1.00 of cost

By applying this integrated approach to the long-term unemployed and transitioning veterans nationally, it is estimated that this initiative will reduce the average duration of UI benefit receipt by 1.1 weeks for claimants participating in the REA/RES program and will result in benefits savings of approximately \$420,000,000 in FY 2015.

Looking forward, the REA/RES proposal will support a more comprehensive approach to reemployment, including strategies to encourage more sophisticated communication between UI and the workforce system aided by technology that will allow both systems to view claimant

² IMPAQ International. January 2012. *Impact of the Reemployment and Eligibility Assessment (REA) Initiative in Nevada.*

REEMPLOYMENT AND ELIGIBILITY ASSESSMENTS AND REEMPLOYMENT SERVICES

outcomes on a continuum as they move from assessment, to services (such as job search), to job placement.

Five-Year Budget Activity Component History

<u>Fiscal Year</u>	<u>Funding</u> (Dollars in Thousands)	<u>FTE</u>
2010	\$50,000	0
2011	\$49,900	0
2012	\$49,906	0
2013	\$46,793	0
2014	\$80,000	0

Funding Mechanism

Funding will be provided to states on a formula basis derived from the number of projected eligible claimants at a cost of \$150 per claimant served. State UI agencies will be required to collaborate with the state's Employment Service agency to develop and implement an integrated program and service delivery model.

FY 2015

The FY 2015 Budget Request for the Unemployment Insurance (UI) Reemployment and Eligibility Assessments and Reemployment Services (REA/RES) program is \$157,650,000, of which \$25,000,000 is requested through a discretionary cap adjustment. To support transitioning veterans, funds will be targeted to recently-separated military personnel receiving Unemployment Compensation for Ex-Servicemen (UCX), and to support an evaluation coordinated with the Department's Chief Evaluation Officer to identify the key factors impeding the reemployment of these UCX claimants. These funds will support an enhanced, integrated, and expanded UI REA/RES program for both jobless veterans and the long-term unemployed as a permanent, required program for all states with the following features:

1. REA/RES services will be provided to the top quarter of profiled claimants most likely to exhaust their regular state UI benefits (1.3 million claimants) and all individuals recently separated from the military and receiving UCX (63,000 claimants). States will be required to provide these services with the appropriated funds, and UI/UCX claimants referred to these services will be required to participate.
2. The REA/RES program will provide integrated reemployment services to UI claimants including: in-person interviews to review eligibility for UI benefits; provision of labor market and career information to claimants to inform their career choices; support for the development of a reemployment and work search plan; orientation to services available through American Job Centers; and provision of staff-assisted reemployment services, including skills assessments, career counseling, job matching and referrals, job search assistance workshops, and referrals to training as appropriate.

REEMPLOYMENT AND ELIGIBILITY ASSESSMENTS AND REEMPLOYMENT SERVICES

The swift reemployment of UI claimants and the reduction of UI improper payments are both high priorities for the Department. The existing Reemployment and Eligibility Assessment (REA) program, funded since 2005, has been shown to be an effective tool in addressing both goals. The REA program is now operational in 44 jurisdictions including 39 states, the District of Columbia, and the Virgin Islands. However, only about 5.0% percent of UI claimants nationally currently receive REAs.

At the same time, robust reemployment services that help claimants develop and implement reemployment and work search plans are critical to getting claimants reemployed as quickly as possible. The combination of the dual service-delivery strategies of eligibility assessments and reemployment services will help ensure the proper payment of UI, reduce the duration of UI benefits, and deliver successful employment outcomes.

The Department proposes requiring states to provide comprehensive REA/RES services to all UCX claimants and the quarter of profiled claimants most likely to exhaust their unemployment benefits. Assuming \$150 per participant, the estimated cost for this program is \$157.6 million. Based on the most recent random assignment evaluation of a similar program in Nevada, the projected annual benefit savings created by the initiative will be \$420 million – creating a net savings of over \$262 million to the Unemployment Trust Fund.

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

FY 2014

A total of \$80,000,000 was appropriated for REA services in FY 2014. These resources are projected to fund 1,352,000 REAs – thereby helping unemployed claimants return to work faster and reducing improper payments. This level of REA funds will support the planned expansion of the initiative from the 42 currently participating to 45 - 50 states.

FY 2013

In FY 2013, \$56,772,607 was appropriated for REA services (post-sequestration). These resources funded an estimated 959,457 REAs.

**REEMPLOYMENT AND ELIGIBILITY ASSESSMENTS AND
REEMPLOYMENT SERVICES**

CHANGES IN FY 2015
(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		\$77,650
Direct FTE		0
	Estimate	FTE
Base	\$80,000	0
Program Increase	\$77,650	0

NATIONAL ACTIVITIES

BUDGET AUTHORITY BEFORE THE COMMITTEE				
(Dollars in Thousands)				
	FY 2013 Enacted	FY 2014 Enacted	FY 2015 Request	Diff. FY15 Request / FY14 Enacted
Activity Appropriation	10,676	10,676	14,547	3,871
FTE	0	0	0	0

Introduction

Unemployment Insurance (UI) National Activities provides funding to support the states collectively in administering their UI programs - in turn helping to support the Department's Strategic Goal 4: *to secure retirement, health, and other employee benefits and, for those not working, provide income security*; and Strategic Objective 4.1: *to provide income support when work is impossible or unavailable and facilitate return to work* . The activities funded by UI National 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. 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 National Association of State Workforce Agencies' Information Technology Support Center (ITSC). The mission of the ITSC, in partnership with the Department, is to support the 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 state consortia and individual states on technology-related projects including Benefit and Tax Systems Reengineering and Modernization; Call Center Design and Implementation; Adjudication Automation; SWA Internet Application development (Benefits, Tax, Adjudication); and American Job Center Planning. As states are now implementing new UI information technology systems to support their UI operations and administration of the program, supporting states to successfully implement UI modernization projects is a primary focus for ITSC.

This funding source also provides for the enhancement and maintenance of the UI Reporting system infrastructure that supports the collection and storage of critical economic data on states' unemployment claims, payments, taxes, and other unemployment insurance activities, including improper payments and program performance. State agencies collect data using federally-provided software and transmit data and reports used by the Department for oversight and to measure state performance, promote responsible fiscal management, allocate resources, and guide policy development. This oversight and monitoring process is designed to promote continuous improvement in UI operational performance.

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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 the 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 among 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 for state systems to the national office system for the collection of state workload data and financial and performance reports used for program oversight and monitoring.

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 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 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 16 states continued to have outstanding advance balances totaling in excess of \$21 billion as of January 31, 2014.

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 American Job Centers.

Five-Year Budget Activity Component History

<u>Fiscal Year</u>	<u>Funding</u> (Dollars in Thousands)	<u>FTE</u>
2010	\$11,310	0
2011	\$11,287	0
2012	\$11,266	0
2013	\$10,676	0
2014	\$10,676	0

Funding Mechanism

UI National Activities is a separate line item within the UI budget. These activities support the federal-state UI system as a whole, are interstate or multi-state in nature, or are performed more

NATIONAL ACTIVITIES

efficiently and cost-effectively on a consolidated rather than decentralized basis. Funding for these activities is generally issued through cooperative agreements and contracts.

FY 2015

The FY 2015 Budget Request for UI National Activities is \$14,547,000. In addition to funding activities which support states collectively, the request will support the continuation of IT upgrades and technical assistance activities that focus on three priority areas: 1) program performance and accountability, 2) program integrity, and 3) connecting UI claimants to reemployment services through the American Job Center network..

The FY 2015 request includes a request of \$1,971,000 to replace the aging UI Reporting System hardware infrastructure and associated software applications installed in the 53 SWAs. This is a one-time request with the funding spread across fiscal years 2015 and 2016. These resources will not be requested in future budget submissions once the current UI Reporting IT infrastructure, which will reach its end-of-life in FY 2015, has been brought up-to-date.

The FY 2015 request also includes \$1,900,000 to support ICON. ICON is used to implement sections 3304(a)(9)(A) and (B) of the Federal Unemployment Tax Act (FUTA), providing for interstate and combined-wage claims. ICON enables states to request, submit, and receive much of the information necessary to establish claims and determine eligibility for interstate and combined-wage claims. The network ensures timely and accurate payments for UI benefits, as well providing tools for states' use to detect and reduce improper payments.

FY 2014

The FY 2014 Budget appropriated \$10,676,000 for UI National Activities, promoting efficiency and harnessing economies of scale by supporting activities that serve multiple states within the UI system. UI National Activities will support the continuation of IT upgrades and technical assistance activities that focus on three priority areas: 1) program performance and accountability, 2) program integrity, and 3) connecting UI claimants to reemployment services through the American Job Center network.

FY 2013

In FY 2013, \$10,676,405 was appropriated for UI National Activities (post-sequestration). These funds supported consolidated activities that aided states collectively in administering their UI programs.

NATIONAL ACTIVITIES

CHANGES IN FY 2015

(Dollars in Thousands)

Activity Changes

Built-In

To Provide For:

Costs of pay adjustments	\$0
Other services from non-Federal sources	0
Grants, subsidies, and contributions	0

Built-Ins Subtotal **\$0**

Net Program **\$3,871**

Direct FTE **0**

	Estimate	FTE
Base	\$10,676	0
Program Increase	\$3,871	0

EMPLOYMENT SERVICE

BUDGET AUTHORITY BEFORE THE COMMITTEE				
(Dollars in Thousands)				
	FY 2013 Enacted	FY 2014 Enacted	FY 2015 Request	Diff. FY15 Request / FY14 Enacted
Activity Appropriation	684,002	684,002	684,002	0
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>
2010	\$724,570	0
2011	\$723,121	0
2012	\$721,754	0
2013	\$684,002	0
2014	\$684,002	0

EMPLOYMENT SERVICE

DETAILED WORKLOAD AND PERFORMANCE					
		FY 2013 Enacted		FY 2014 Enacted	FY 2015 Request
		Target	Result	Target	Target
Employment Service					
Strategic Goal 4 - Secure retirement, health, and other employee benefits and, for those not working, provide income security					
Strategic Objective 4.1 - Provide income support when work is impossible or unavailable and facilitate return to work					
ETA-CH1-WPES- GPRA-01	Entered Employment Rate (Employment Service)	53.80%	--	54.70%	55.00%
ETA-CH1-WPES- GPRA-03	Six Months Average Earnings	\$14,642.00	--	\$14,937.00	\$15,210.00
1.3.2	Participants Served in Employment and Training Activities	17,423,504	--	17,423,504	17,423,504
1.3.3	Cost Per Participant Served in Employment and Training Activities	\$38.12[e]	--	\$38.12[e]	\$38.12[e]
ETA-CH1-WPES- GPRA-02	Employment Retention Rate	81.10%	--	81.10%	81.20%

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 provide a full array of core and intensive services to help jobseekers get back to work as quickly as possible. 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 Great 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 better jobs.

Services delivered through the American Job Center system are designed to increase employment opportunities for all workers. Accordingly, 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. However, because the economic environment is a strong determinant of program performance, PY 2012-2015 targets for the outcome measures are based on a methodology developed by the Department for setting national performance targets using a statistical model. This methodology adjusts the most recent program results available (PY 2012) using current and projected labor market conditions, holding constant the individual characteristics, to account for the projected effects of the business cycle and labor market conditions on the outcomes of employment and training programs.

In addition to outcomes, the Department also measures workload in terms of the number of participants served by the program. In FY 2015, the Department projects that the program will serve 17,423,504 participants. These projections are developed using the cost per participant and are calculated before set-asides are removed from the funding. Following the implementation of the Recovery Act, the Department developed adjustments to the cost per participant calculations to account for the large influx of temporary funding during the following two program years (PY 2009-2011). The Department is using PY 2012 program data to calculate cost per participant estimates for PY 2015. Additional data is collected on the intensity of participant services.

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

EMPLOYMENT SERVICE

- number of people exiting the program

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

EMPLOYMENT SERVICE

BUDGET ACTIVITY BY OBJECT CLASS					
(Dollars in Thousands)					
		FY 2013 Enacted	FY 2014 Enacted	FY 2015 Request	Diff. FY15 Request / FY14 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	684,002	684,002	684,002	0
	Total	684,002	684,002	684,002	0

EMPLOYMENT SERVICE

CHANGES IN FY 2015

(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 \$0

Direct FTE 0

	Estimate	FTE
Base	\$684,002	0
Program Increase	\$0	0
Program Decrease	\$0	0

GRANTS TO STATES

BUDGET AUTHORITY BEFORE THE COMMITTEE				
(Dollars in Thousands)				
	FY 2013 Enacted	FY 2014 Enacted	FY 2015 Request	Diff. FY15 Request / FY14 Enacted
Activity Appropriation	664,184	664,184	664,184	0
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 better 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:

- Increasing employment opportunities for all workers by turning our unemployment system into a reemployment system that provides over 22 million job seekers each year with access to labor market information and job matching;
- 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 such as the Gold Card Initiative and the Jobs for Veterans State Grants; 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 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. 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.³ 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 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

³ Schwane, 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

otherwise not be able to afford. Additionally, ES provides the flexibility to allow states to provide more intensive services, such as case management, as needed.

When the Great 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 3.1 in May 2013.⁴ In fact, the number of job openings in May, 2013, was 3,828,000 approximately 75 percent higher than the lowest point in July 2009.⁵ Taking advantage of this increase in job openings requires strong employment services that are able to match the skills of job seekers with the skills needed by businesses.

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 PY 2011, 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>
2010	\$703,576	0
2011	\$702,169	0
2012	\$700,842	0
2013	\$664,184	0
2014	\$664,184	0

FY 2015

In FY 2015, the Department will continue to provide job seekers and the underemployed the services they need to find new jobs. The Department will continue to address the needs of dual customers with its budget request of \$664,184,000, the same as the FY 2014 enacted level. With these funds, the Department will operate the ES in all 50 states and five territories, supporting intensive, targeted reemployment services to beneficiaries of unemployment insurance, and reducing the duration of unemployment compensation claims by speeding up job placements. Funding will support the delivery of labor exchange and other reemployment services to approximately 17,423,504 participants. This request reflects an economy which continues to improve and rebound from the Great Recession (2007-2009). Based on PY 2012 results, the cost per participant target is \$38.12.

⁴ Bureau of Labor Statistics, U.S. Department of Labor, The Editor's Desk, Unemployed persons per job opening in May 2013 on the Internet at http://www.bls.gov/opub/ted/2013/ted_20130710.htm (visited February 03, 2014). ob.

⁵ Ibid.

GRANTS TO STATES

At the requested funding level, the Employment Service estimates it will serve 17,423,504 job seekers with an Entered Employment Rate of 55 percent, an Employment Retention Rate of 81.2 percent, and Six Months Average Earnings of \$15,210.

In FY 2015, the Employment Service will:

Enhance the coordination of services to recently returning veterans. 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. (See Veterans' Employment and Training Service narrative for more information.)

Expand the use of technology and data. The Department will continue to 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 on 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 complementary 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 Workforce Investment Act 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.

FY 2014

The enacted budget provides \$664,184,000 for the ES, the same amount as the FY 2013 enacted level. At this funding level, an estimated 17,423,504 individuals will receive services through the Employment Service at an average cost of \$38.12 per participant. The Department has set an Entered Employment Rate target of 54.7 percent, an Employment Retention Rate target of 81.1 percent, and a Six Months Average Earnings target of \$14,937. As described above, the Department will be prioritizing activities and strategies that enhance the coordination of services to recently returning veterans, expand the use of technology and data, and provide seamless dual-customer service through its American Job Centers.

GRANTS TO STATES

FY 2013

Final FY 2013 performance and outcome data was not available at the time of this budget submission; however, the Department anticipates the Employment Service will serve approximately 17,423,504 job seekers. These job seekers are anticipated to have an Entered Employment Rate of 53.8 percent, with an Employment Retention Rate of 81.1 percent, and Six Months Average Earnings of \$14,642.

Beyond typical labor exchange activities described above, the ES provided the infrastructure necessary to carry out several major initiatives during FY 2013 including but not limited to:

Provided Employment Services for the Veterans Retraining Assistance Program (VRAP) participants. The Employment Service has been a vital program in providing career services to completers of the VRAP program. VRAP was established, as a two-year program, under the VOW to Hire Heroes Act of 2011 (Pub. L. 112-56) and provided up to 12-months of retraining assistance to eligible unemployed veterans. The benefit is provided through the Department of Veterans Affairs; however, VRAP requires the Department of Labor to facilitate the provision of employment services to program participants as they complete the program. The Employment Service has been utilized by DOL as one of the primary mechanisms to ensure VRAP participants are offered employment services.

Provided critical improvements in data collection on employment and training programs. In FY 2013, the Employment Service implemented a critical new data validation process which ensures the program is able to monitor the performance of important ES activities. The Enterprise Data Reporting and Validation System (E-DRVS) was launched to ensure that reporting data from all of the states maintains and improves upon its quality.

GRANTS TO STATES

CHANGES IN FY 2015

(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 \$0

Direct FTE 0

	Estimate	FTE
Base	\$664,184	0

EMPLOYMENT SERVICE NATIONAL ACTIVITIES - WOTC

BUDGET AUTHORITY BEFORE THE COMMITTEE				
(Dollars in Thousands)				
	FY 2013 Enacted	FY 2014 Enacted	FY 2015 Request	Diff. FY15 Request / FY14 Enacted
Activity Appropriation	18,485	18,485	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 better jobs by providing businesses with over \$1,000,000,000 in tax credits each year for hiring individuals from targeted groups. Tax credits are structured to encourage retention of these new hires. 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 a reduction in their Federal income tax liability. WOTC joins other workforce programs that help incentivize workplace diversity and facilitate access to better 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 WOTC are allocated to State Workforce Agencies (SWAs) to support processing WOTC applications submitted by employers. SWAs certify that the individual hired by the employer is a member of one of the WOTC target groups. Employers are required to receive this certification from SWAs prior to claiming the tax credit with the IRS.

Five-Year Budget Activity Component History

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

EMPLOYMENT SERVICE NATIONAL ACTIVITIES - WOTC

2012	\$18,486	0
2013	\$18,485	0
2014	\$18,485	0

FY 2015

To support states' processing of certification requests, the Department requests \$18,485,000 for FY 2015 to operate the WOTC program. The Department helps individuals in the target groups covered by WOTC enter the job market and improve their earnings by providing funding to SWAs to administer WOTC. SWAs use the funding to accept applications submitted by employers, either denying ineligible applications or certifying applications that meet all requirements.

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

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

FY 2014

For FY 2014, the Department received \$18,485,000 to operate the program. These funds were allocated to SWAs to support processing WOTC applications submitted by employers.

The American Taxpayer Relief Act of 2012 extended authorization for the tax credit for employers who hired individuals through December 31, 2013. As of the release of the President's FY 2015 Budget, legislation had not been enacted to extend the legislative authorization for WOTC. At this time, SWAs cannot certify WOTC applications from employers for hires made after December 31, 2013.

Therefore, during this year, states will focus on processing WOTC applications received from employers for hires made on or before December 31, 2013. This focus includes processing the backlog of WOTC applications that continues to grow, fueled by employer demand for the tax credit. As of the end of FY 2013, about 1,770,000 WOTC applications across the country were pending processing by SWAs. ETA's national and regional offices will continue to provide technical assistance to support SWAs, and explore updates to program requirements and alternative verification procedures that might facilitate more efficient processing of WOTC applications.

EMPLOYMENT SERVICE NATIONAL ACTIVITIES - WOTC

FY 2013

The Department received \$18,485,000 in FY 2013 for WOTC, which was allocated to SWAs to support processing WOTC applications submitted by employers. With these funds, the WOTC program continued to provide a tax credit to businesses for hiring individuals from target groups who have consistently faced significant barriers to employment.

States continued to receive large volumes of WOTC applications from employers this year. SWAs issued about 1,578,000 certifications to employers in FY 2013, with each certification representing employment for some of the country's most at-risk populations. States also issued about 1,659,000 denials of WOTC applications during the fiscal year, for a combined processing workload of over 3,237,000 during FY 2013. This processing workload significantly surpasses the workload of the previous two fiscal years, of about 1,893,000 in FY 2012 and about 2,387,000 in FY 2011.

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 2013 Enacted	FY 2014 Enacted	FY 2015 Request	Diff. FY15 Request / FY14 Enacted
Activity Appropriation	1,333	1,333	1,333	0
FTE	0	0	0	0

Introduction

The Employment Service National Activities help the workforce system achieve the Department’s Strategic Goal 1: *Prepare Workers for Better Jobs and Ensure Fair Compensation*, as well as Strategic Objective 1.1: advance employment opportunities for US workers in 21st century demand sectors and occupations using proven training models and through increased employer engagement and partnerships. 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.

EMPLOYMENT SERVICE NATIONAL ACTIVITIES TAT/SWA RETIREMENT

Five-Year Program Category History

<u>Fiscal Year</u>	<u>Funding</u> (Dollars in Thousands)	<u>FTE</u>
2010	\$2,474	0
2011	\$2,469	0
2012	\$2,427	0
2013	\$1,333	0
2014	\$1,333	0

Funding Mechanism

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

FY 2015

The Department requests \$1,333,000 for employment service technical assistance activities in FY 2015. Resources will be used to support online and in-person assistance for states to implement promising strategies in addressing the skills mismatch and speeding reemployment of long term unemployed, and increasing employment opportunities for all populations, including efficiently operating the Work Opportunity Tax Credit program. Technical assistance will be delivered in-person and online, and focused on strategies that research indicates are promising or proven.

In previous years, a portion of these funds were used to contribute the Federal share of State Workforce Agencies (SWA) Retirement System payments. Prior to 1982, the Department agreed to provide funding for improvements to SWA retirement plans to make their benefits more comparable to the benefits provided to Federal employees. The improvements created an unfunded liability because the benefit improvements were payable to present plan members, including retirees, although neither the employer nor the employees were able to put the necessary resources into the plan to cover the improvements. The Department's solution to this problem was to determine the amount needed to cover the improvements in the plan and then amortize the costs over a span of years. The Department fulfilled its agreement to fund the Federal share of State Workforce Agency Retirement System payments.

FY 2014

In FY 2014, the Department received \$1,333,000 for employment service technical assistance activities. This year's investments will assist American Job Center staff focus on reemployment strategies for unemployment compensation beneficiaries and the long-term unemployed, and 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. The Department will also focus some technical assistance resources on improving employment services to vulnerable populations such as farmworkers, and improving state operations of the Work Opportunity Tax Credit program. Technical assistance will be delivered

EMPLOYMENT SERVICE NATIONAL ACTIVITIES TAT/SWA RETIREMENT

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.

FY 2013

The Department received \$1,333,000 in FY 2013 for employment service technical assistance, which it used for e-learning and in-person assistance to grantees. In particular, the Department focused on improving reemployment services, particularly for the long-term unemployed, supporting states and local areas assist returning service members enter civilian careers, and expanding and improving how states use real-time labor market information to tailor services to jobseekers and employers.

**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	\$1,333	

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BUDGET AUTHORITY BEFORE THE COMMITTEE				
(Dollars in Thousands)				
	FY 2013 Enacted	FY 2014 Enacted	FY 2015 Request	Diff. FY15 Request / FY14 Enacted
Activity Appropriation	61,973	61,973	62,310	337
FTE	183	188	188	0

NOTE: FY 2013 reflects actual FTE. Authorized FTE for FY 2013 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: immigrant Permanent Labor Certification Program (PERM) or the "Green Card"; 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. The 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 survey requests and issues determinations on these requests.

Foreign labor certification programs assist in achieving the Department's Strategic Goal 1: *Prepare Workers for Better Jobs and Ensure Fair Compensation*, as well as Strategic Objective 1.3: *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

FOREIGN LABOR CERTIFICATION

the wages and 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 foreign worker hired under one of the programs OFLC administers, 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>
2010	\$68,436	181
2011	\$65,517	178
2012	\$65,393	181
2013	\$61,973	181
2014	\$61,973	188

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's working capital expenses, the Department's Office of the Chief Information Officer (OCIO), and ETA's indirect costs. The State Grants activity funds state employment services (i.e. conducting H-2A required housing inspections and conducting employer prevailing wage and practice 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 (any remaining 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. The OFLC estimates the H-1B Program utilizes approximately 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.

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DETAILED WORKLOAD AND PERFORMANCE					
		FY 2013 Enacted		FY 2014 Enacted	FY 2015 Request
		Target	Result	Target	Target
Foreign Labor Certification					
Strategic Goal 3 - Promote fair and high quality work-life environments					
Strategic Objective 3.3 - Secure wages and overtime					
	PERM Carry-In, New Applications	94,300	99,200	130,200[e]	136,700[e]
	PERM New Applications Filed	72,000	72,500	75,000[e]	77,700[e]
	PERM Applications Processed	48,400	42,600	71,200[e]	51,300[e]
ETA-CH3-FLC-01	PERM Applications Remaining	45,900	55,200	59,000[e]	85,400[e]
	H-1B - New Applications Filed	414,800	423,600	465,300[e]	511,200[e]
	H-1B Applications Processed	412,900	420,200	463,900[e]	510,300[e]
ETA-CH3-FLC-05	H-1B Applications Remaining	6,000	7,500	8,900[e]	9,800[e]
	H-2A - New Applications Filed	6,000	6,000	6,500[e]	7,100[e]
	H-2A Applications Processed	5,700	6,000	6,500[e]	7,100[e]
ETA-CH3-FLC-07	H-2A Applications Remaining	300	100	100[e]	100[e]
	H-2B - New Applications Filed	4,700	4,700	5,300[e]	6,000[e]
	H-2B Applications Processed	4,450	4,700	5,300[e]	6,000[e]

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DETAILED WORKLOAD AND PERFORMANCE					
		FY 2013 Enacted		FY 2014 Enacted	FY 2015 Request
		Target	Result	Target	Target
ETA-CH3-FLC-10	H-2B Applications Remaining	200	100	100[e]	100[e]
ETA-OB-FLC-01	Average processing time, in days, for PERM applications selected for integrity review (Audit)	--	--	350-450	475-600
ETA-OB-FLC-02	Average processing time, in days, for PERM applications not selected for integrity review	--	--	150-225	250-350
ETA-OFLC-04	Percent of H-1B applications processed within seven days of the filing date for which no prevailing wage issues are identified	100.00%	100.00%	100.00%	100.00%
ETA-OFLC-01	Percent of Complete H-2A Applications Resolved 30 Days Before the Date of Need	--	--	80.0%	80.0%
ETA-OFLC-02	Percent of H-2B Applications Resolved in 30 Days	82.0% [r]	85.3%	90.0%	90.0%

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

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Workload and Performance Summary

The OFLC adjustments to FY 2013 workload results and projections for FY 2014 and FY 2015 for the permanent and temporary visa programs are a function of the following factors: (1) actual workload and performance results through December 2013; (2) impact of continued Permanent Labor Certification Program (PERM) integrity initiatives to conduct reasonable audit examinations and to re-engineer and implement a “new” supervised recruitment initiative for other positions where OFLC believes qualified U.S. workers are available and outcome performance data has substantiated the effort; and (3) positive economic forecast assumptions in FY 2014-2015 for U.S. unemployment and labor force employment levels and the resulting increase in the new applications expected to be filed.

Due to improving economic conditions, the Department saw an increase in FY 2013 Temporary program filings by approximately 9 to 12 percent. This most recent filing data justifies an expected increase in the targets for applications filed in FY 2014 and FY 2015. As workload increases in anticipation of a recovering economy in FY 2014-2015, OFLC will need to implement high-priority strategies designed to ensure timely processing of employer applications for temporary low-skilled agricultural and nonagricultural workers. In FY 2015, the OFLC will focus appropriated resources on meeting processing times mandated by statute and regulation in the temporary nonimmigrant programs, while attempting to slow the increase of backlogged cases in the PERM Program and maintaining the programs’ integrity.

The Farm Labor Survey (FLS), which until May 18, 2011 was conducted by the U.S. Department of Agriculture (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 than to fund it out of the SUIESO appropriation, particularly given the clear regulatory language governing the H-2A Program. The USDA’s funding decision requires OFLC to further prioritize FY 2014-2015 funds and this will adversely impact the PERM Program, because unlike the temporary programs it does not have statutory or regulatory-required processing times. The yearly USDA FLS expense of \$1.2 million continues to impact the ability of the OFLC to avoid backlogs of employer-filed PERM applications (the majority of which are for IT jobs and are in demand by our Nation’s largest employers). An overall increase in employer filings, will result in a significant decrease in performance under the PERM timeliness measure and a continuing increase in the backlog of employer applications which is projected to be at least 85,400 by the end of FY 2015. The PERM Program will experience backlogs and declining processing times which will generate growing expressed concerns from the regulated community.

The OFLC will implement modified performance measures during FY 2014-2015 that better align results with changes in program regulatory requirements and Departmental priorities. For instance, OFLC will focus resources on managing the growth of the PERM backlog. By separating the PERM processing time goals for applications that are and are not subjected to integrity reviews, OFLC can balance resources without losing the programs integrity. OFLC expects processing times and backlogs in the PERM program to grow but is managing resources to slow the growth as much as possible.

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For the H-2B Program, OFLC will continue to implement the reduced timeliness target of 30 calendar days to better align with its administration of the Department's 2008 Final Rule. In the H-2A Program, the new timeliness measure will better align with OFLC's statutory mandate to resolve all employer H-2A applications meeting the criteria for certification by 30 calendar days from the date of need.

The 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 performance including case production at the staff level; 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 strategic objectives, 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.

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BUDGET ACTIVITY BY OBJECT CLASS					
(Dollars in Thousands)					
		FY 2013 Enacted	FY 2014 Enacted	FY 2015 Request	Diff. FY15 Request / FY14 Enacted
11.1	Full-time permanent	16,860	17,559	17,728	169
11.3	Other than full-time permanent	0	0	0	0
11.5	Other personnel compensation	4	184	184	0
11.9	Total personnel compensation	16,864	17,743	17,912	169
12.1	Civilian personnel benefits	5,083	5,231	5,231	0
13.0	Benefits for former personnel	0	115	115	0
21.0	Travel and transportation of persons	22	30	30	0
22.0	Transportation of things	0	0	0	0
23.1	Rental payments to GSA	2,316	2,274	2,442	168
23.2	Rental payments to others	0	0	0	0
23.3	Communications, utilities, and miscellaneous charges	397	350	350	0
24.0	Printing and reproduction	15	20	20	0
25.1	Advisory and assistance services	13,422	11,353	11,353	0
25.2	Other services from non-Federal sources	8	10	10	0
25.3	Other goods and services from Federal sources 1/	4,194	4,217	4,217	0
25.4	Operation and maintenance of facilities	5	0	0	0
25.5	Research and development contracts	0	0	0	0
25.7	Operation and maintenance of equipment	4,775	5,918	5,918	0
26.0	Supplies and materials	240	170	170	0
31.0	Equipment	339	260	260	0
41.0	Grants, subsidies, and contributions	14,282	14,282	14,282	0
42.0	Insurance claims and indemnities	11	0	0	0
	Total	61,973	61,973	62,310	337
	1/Other goods and services from Federal sources				
	Working Capital Fund	3,991	4,042	4,042	0
	DHS Services	203	175	175	0

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CHANGES IN FY 2015

(Dollars in Thousands)

Activity Changes

Built-In

To Provide For:

Costs of pay adjustments	\$169
Personnel benefits	0
Benefits for former personnel	0
Travel and transportation of persons	0
Transportation of things	0
Rental payments to GSA	168
Rental payments to others	0
Communications, utilities, and miscellaneous charges	0
Printing and reproduction	0
Advisory and assistance services	0
Other services from non-Federal sources	0
Working Capital Fund	0
Other Federal sources (Census Bureau)	0
Other Federal sources (DHS Charges)	0
Other goods and services from Federal sources	0
Research & Development Contracts	0
Operation and maintenance of facilities	0
Operation and maintenance of equipment	0
Supplies and materials	0
Equipment	0
Grants, subsidies, and contributions	0
Insurance claims and indemnities	0

Built-Ins Subtotal **\$337**

Net Program **\$0**

Direct FTE **0**

	Estimate	FTE
Base	\$62,310	188
Program Increase	\$0	0
Program Decrease	\$0	0

FEDERAL ADMINISTRATION

BUDGET AUTHORITY BEFORE THE COMMITTEE				
(Dollars in Thousands)				
	FY 2013 Enacted	FY 2014 Enacted	FY 2015 Request	Diff. FY15 Request / FY14 Enacted
Activity Appropriation	47,691	47,691	48,028	337
FTE	183	188	188	0

NOTE: FY 2013 reflects actual FTE. Authorized FTE for FY 2013 was 181.

Introduction

The Federal Administration activity funds the salaries and expenses necessary to conduct most of 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

The OFLC's Administration funds are also used to finance Employment and Training Administration (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 OFLC. The ETA mission support offices provide critical business functions, which allow OFLC to operate. Without these business functions, the ability of OFLC to perform the most basic of operations would be severely constrained. The OFLC's Administration funds are also used to finance the Department's OCIO to support ETA's information technology network and infrastructure.

Five-Year Budget Activity Component History

<u>Fiscal Year</u>	<u>Funding</u> (Dollars in Thousands)	<u>FTE</u>
2010	\$53,307	181
2011	\$50,418	178
2012	\$50,323	181
2013	\$47,691	181
2014	\$47,691	188

FEDERAL ADMINISTRATION

FY 2015

This funding request of \$48,028,000 and 188 FTE reflects the level of support necessary to continue the base line operation, management, and oversight of Foreign Labor Certification programs. The OFLC will focus Federal program resources on meeting processing times mandated by statute and regulation in the temporary nonimmigrant programs while attempting to slow the increase of backlogged cases in the PERM Program. The overall increase in employer filings, will adversely impact the organization's ability to meet the PERM timeliness measure and reduce growing case backlogs.

In FY 2015, the OFLC plans to continue its standing internal operating strategy of aligning budgetary, facilities, staffing, and technology resources to implement priority strategies designed to first provide for timely processing of employer prevailing wage determination requests and subsequently-filed applications for low-skilled temporary jobs in agriculture and nonagricultural occupations. These actions will continue to seek methods designed to maximize the efficiencies and effective results OFLC has historically achieved in its overall administration of national employment-based immigration programs. Operationally, OFLC expects to process 7,100 H-2A applications, and 6,000 H-2B applications. The OFLC also aims to increase the percent of H-2A and H-2B applications filed electronically by adopting a multi-tiered, targeted customer education and outreach strategy to foster broader adoption of electronic filing across the two programs (both an effectiveness and efficiency measure and goal for the office). In addition, the OFLC expects to process approximately 51,300 PERM applications, 510,300 H-1B applications, and should issue in excess of 130,000 Prevailing Wage determinations, including employer-provided surveys.

The OFLC will continue to focus on the timeliness and quality of program 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. OFLC is committed toward assessing its structure and processes in an attempt to achieve efficiencies and cost savings.

FY 2014

The FY 2014 enacted funding level for Federal Administration is \$47,691,000 and 188 FTE. In FY 2014, the OFLC plans to continue its internal operating strategy of aligning budgetary, facilities, staffing, and technology resources to implement priority strategies designed to first ensure the timely processing of employer applications for low-skilled temporary jobs in agriculture and nonagricultural occupations. These actions are also designed to maximize the efficiencies and effectiveness results OFLC seeks to achieve in its overall administration of national employment-based immigration programs. Operationally, OFLC expects to process 6,500 H-2A applications, and 5,300 H-2B applications. The OFLC also aims to increase the percent of H-2A and H-2B applications filed electronically by adopting a multi-tiered, targeted customer education and outreach strategy to foster broader adoption of electronic filing across the two programs (both an effectiveness and efficiency measure and goal for the office). In addition, the OFLC expects to process approximately 71,200 PERM applications, 463,900 H-1B applications, and should issue in excess of 130,000 Prevailing Wage determinations, including

FEDERAL ADMINISTRATION

employer-provided surveys.

The OFLC will continue to focus on the timeliness and quality of program 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. OFLC is committed toward assessing its structure and processes in an attempt to achieve efficiencies and cost savings.

FY 2014 will also be the first year where the office needs to make significant contractor reductions as part of their realignment of resources, which will occur by the last quarter of the fiscal year. Federal staff will be trained to perform duties previously undertaken by contractors and performance management plans will dramatically change. This transition period will result in slower case productivity, while simultaneously increasing the growth in the PERM Program backlog of cases as well as extend the time period for case processing.

FY 2013

The FY 2013 enacted funding level was \$47,691,000 and 181 FTE. The OFLC was successful in meeting all operating plan goals for FY 2013. This success was attributable to the active management of production and review of operating status against set goals. Events outside the control of OFLC occurred throughout the year, particularly in relation to our H-2B wage and H-2B final rule as well as changes in filer behavior which impacted performance across several of OFLC programs. OFLC proactively forecasted how these events would affect production and proposed revised goals to the department where necessary. Throughout the year OFLC also increased the resources dedicated to PERM integrity measures which increased PERM denials but also resulted in an increase in processing times. Again, the impact was forecasted and a revised goal proposed.

FEDERAL ADMINISTRATION

BUDGET ACTIVITY COMPONENT BY OBJECT CLASS					
(Dollars in Thousands)					
		FY 2013 Enacted	FY 2014 Enacted	FY 2015 Request	Diff. FY15 Request / FY14 Enacted
11.1	Full-time permanent	16,860	17,559	17,728	169
11.3	Other than full-time permanent	0	0	0	0
11.5	Other personnel compensation	4	184	184	0
11.9	Total personnel compensation	16,864	17,743	17,912	169
12.1	Civilian personnel benefits	5,083	5,231	5,231	0
13.0	Benefits for former personnel	0	115	115	0
21.0	Travel and transportation of persons	22	30	30	0
22.0	Transportation of things	0	0	0	0
23.1	Rental payments to GSA	2,316	2,274	2,442	168
23.2	Rental payments to others	0	0	0	0
23.3	Communications, utilities, and miscellaneous charges	397	350	350	0
24.0	Printing and reproduction	15	20	20	0
25.1	Advisory and assistance services	13,422	11,353	11,353	0
25.2	Other services from non-Federal sources	8	10	10	0
25.3	Other goods and services from Federal sources 1/	4,194	4,217	4,217	0
25.4	Operation and maintenance of facilities	5	0	0	0
25.5	Research and development contracts	0	0	0	0
25.7	Operation and maintenance of equipment	4,775	5,918	5,918	0
26.0	Supplies and materials	240	170	170	0
31.0	Equipment	339	260	260	0
41.0	Grants, subsidies, and contributions	0	0	0	0
42.0	Insurance claims and indemnities	11	0	0	0
	Total	47,691	47,691	48,028	337
	1/Other goods and services from Federal sources				
	Working Capital Fund	3,991	4,042	4,042	0
	DHS Services	203	175	175	0

FEDERAL ADMINISTRATION

CHANGES IN FY 2015

(Dollars in Thousands)

Activity Changes

Built-In

To Provide For:

Costs of pay adjustments	\$169
Personnel benefits	0
Benefits for former personnel	0
Travel and transportation of persons	0
Transportation of things	0
Rental payments to GSA	168
Rental payments to others	0
Communications, utilities, and miscellaneous charges	0
Printing and reproduction	0
Advisory and assistance services	0
Other services from non-Federal sources	0
Working Capital Fund	0
Other Federal sources (Census Bureau)	0
Other Federal sources (DHS Charges)	0
Other goods and services from Federal sources	0
Research & Development Contracts	0
Operation and maintenance of facilities	0
Operation and maintenance of equipment	0
Supplies and materials	0
Equipment	0
Grants, subsidies, and contributions	0
Insurance claims and indemnities	0

Built-Ins Subtotal **\$337**

Net Program **\$0**

Direct FTE **0**

Estimate **FTE**

Base **\$48,028** **188**

STATE GRANTS

BUDGET AUTHORITY BEFORE THE COMMITTEE				
(Dollars in Thousands)				
	FY 2013 Enacted	FY 2014 Enacted	FY 2015 Request	Diff. FY15 Request / FY14 Enacted
Activity Appropriation	14,282	14,282	14,282	0
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>
2010	\$15,129	0
2011	\$15,099	0
2012	\$15,070	0
2013	\$14,282	0
2014	\$14,282	0

FY 2015

During FY 2015, State Workforce Agencies will be expected to continue performing the same activities as in previous years. Depending upon the level of program participation, the OFLC expects that the H-2A Temporary Agricultural Program could see state-level processing delays in 2015, as the program's fixed costs have increased in recent years. The 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. These activities are described above in the introduction section and have not materially changed from FY 2014 to FY 2015.

STATE GRANTS

FY 2014

The FY 2014 enacted level for SWA foreign labor certification activities is \$14,282,000. The 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. These activities are described above in the introduction section and have not materially changed from FY 2013 to FY 2014.

FY 2013

In FY 2013, states used grants funding to conduct timely housing inspections and posting of job orders seeking U.S. workers. In addition to supporting SWA required foreign labor certification activities, some states such as the State of California used grant funding for a public awareness campaign to assist migrant workers through multi-media channels including bilingual radio and print media/migrant worker newsletters). The State of Massachusetts used some of the FY 2013 grant funding for development and implementation of a web-based application to accept and process H-2A cases; this automation is similar to use of grant funds in other states in previous years to simplify and streamline application processing.

STATE GRANTS

BUDGET ACTIVITY COMPONENT BY OBJECT CLASS					
(Dollars in Thousands)					
		FY 2013 Enacted	FY 2014 Enacted	FY 2015 Request	Diff. FY15 Request / FY14 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	14,282	14,282	14,282	0
	Total	14,282	14,282	14,282	0

STATE GRANTS

CHANGES IN FY 2015

(Dollars in Thousands)

Activity Changes

Built-In

To Provide For:

Costs of pay adjustments \$0

Personnel benefits 0

Grants, subsidies, and contributions 0

Built-Ins Subtotal \$0

Net Program \$0

Direct FTE 0

Estimate FTE

Base \$14,282 0

WORKFORCE INFORMATION/ELECTRONIC TOOLS/SYSTEM BUILDING

BUDGET AUTHORITY BEFORE THE COMMITTEE				
(Dollars in Thousands)				
	FY 2013 Enacted	FY 2014 Enacted	FY 2015 Request	Diff. FY15 Request / FY14 Enacted
Activity Appropriation	60,153	60,153	60,153	0
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 prepare workers for better 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 allows the American Job Center network to respond to the needs of the job seekers and businesses in the current economy.

The American Job Center network continues to face high demand for employment and training services to speed reemployment 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 nearly double the pre-recession level, growing from 1,050,000 in 2006 to nearly 2,002,000 in an average month in 2013 (Table 1). The workforce system continues to indicate that American Job Centers are inundated with customers, even as the number of American Job Centers decreases, from over 2,900 in 2011, over 2,700 in 2012, to little over 2,000 in 2014. Virtual services provided through the electronic tools greatly expand the reach of the American Job Center network, enabling self-service use by customers.

Table 1. *The average monthly number of unemployed job seekers who use public employment agencies has nearly doubled compared with the pre-recession level in 2006.*

	Percent of unemployed job seekers who use public employment agencies	Number using public employment agencies (thousands)	Percent increase from 2006 to 2013
2013	19.4%	2,002	90%
2012	19.3%	2,185	
2011	21.0%	2,626	
2010	22.2%	2,973	
2009	22.6%	2,851	

WORKFORCE INFORMATION/ELECTRONIC TOOLS/SYSTEM BUILDING

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 user-friendly services. Most are designed for self-service by job seekers, but they also are designed to meet the needs of intermediaries. These services include:

- 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;
- 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.

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

WORKFORCE INFORMATION/ELECTRONIC TOOLS/SYSTEM BUILDING

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.

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.

WORKFORCE INFORMATION/ELECTRONIC TOOLS/SYSTEM BUILDING

Five-Year Budget Activity History

<u>Fiscal Year</u>	<u>Funding</u> (Dollars in Thousands)	<u>FTE</u>
2010	\$63,720	0
2011	\$63,593	0
2012	\$63,473	0
2013	\$60,153	0
2014	\$60,153	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 2015

The Department requests \$60,153,000. These funds will support the following activities in 2014:

Workforce Information Grants to States (\$31,940,000) - 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 2015, the Department will continue to 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 (\$18,409,000) – In 2015 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 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; providing lists of online learning opportunities in addition to existing lists of local classroom offerings; and update credential tool resources on educational programs, occupational licenses and industry certifications, as new data accumulate on the usage of

WORKFORCE INFORMATION/ELECTRONIC TOOLS/SYSTEM BUILDING

different credentials. 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.

Disability Employment Initiative (\$9,804,000) - The Department will continue to support the DEI with this line item, at the same level as FY 2013 and 2014. This funding is matched by a request by the Office of Disability Employment Policy for the same objective. These system change grants expand the capacity of American Job Centers and the entire workforce system, to serve people with disabilities, including people with significant disabilities, through flexibility in assessments, training, job search techniques; partnerships with other programs that support employment for people with disabilities; and outreach to employers. Funding in 2015 will be used for a sixth round of DEI state grants, with awards to four to eight states. This round of grants will target strategies that support people with disabilities advancing in a career pathway to appropriate and self-sustaining employment, based on data and information from the current DEI random assignment evaluation and other evidence-based research.

FY 2014

The FY 2014 appropriation is \$60,153,000. With these funds, the Department collects, analyzes, and disseminates economic and workforce data to enable the workforce system and its customers to make informed decisions about careers, education and training. The Department also develops robust career information, industry competency models, and tools to support both self-service to individuals and use by career counselors in American Job Centers. This year's electronic tools will feature more streamlined and customized information and online services for veterans including incorporating into all the electronic tools an enhanced military to civilian crosswalks. The Department also uses these funds to maintain the current performance accountability systems, including adaptations to support more accurate reporting on services to veterans. Additionally, the Department is re-engineering the technical assistance platform Workforce3one, with a planned release of summer 2014.

In 2014, the Department will award a fifth round of DEI state grants, with awards to four to eight states. In 2014, the Department is refining implementation of the DEI model to support people with disabilities advance along a career pathway, refine existing DEI strategies, and identify necessary changes in state policies, practices, and operating procedures to advance integrated approaches to employment goals for individuals with disabilities.

FY 2013

The appropriation with sequester for FY 2013 was \$60,153,000. In 2013 these funds supported the ongoing operation and maintenance of the suite of national electronic tools, including the CareerOneStop portal and the O*NET data collection, research activities, and data dissemination. These funds also were used for a number of enhancements and expanded services. The new CareerOneStop Business Center provides information about finding qualified candidates, sound hiring practices, and tax credits for hiring; exploring local training options and connecting to resources to pay for training; and a toolkit of easy to use interactive tools to find

WORKFORCE INFORMATION/ELECTRONIC TOOLS/SYSTEM BUILDING

customized solutions. Both CareerOneStop and O*NET sites added enhanced searches, features, and functionality for veterans seeking civilian careers and jobs. New browser-based mobile applications were developed to put these resources in the hands of job seekers and businesses, including a mobile job search tool. Spanish translation was provided for more tools and resources on CareerOneStop, including the new COS Business Center and Mi Proximo Paso was launched as the Spanish version of the O*NET tool My Next Move. The Department also significantly expanded the number of research-based practices available on its Workforce System Strategies feature of Workforce3one, and delivered training and technical assistance to workforce investment system staff through webinars, social media networking. The Department also continued to support performance accountability reporting systems in order to determine the outcomes of the agency's investments. In FY 2013, the Department awarded a fourth round of DEI state grants to eight states, including five previous DEI awardees to expand the number of local sites included in DEI's random assignment evaluation.

WORKFORCE INFORMATION/ELECTRONIC TOOLS/SYSTEM BUILDING

DETAILED WORKLOAD AND PERFORMANCE						
	PY 2012 Enacted		PY 2013 Enacted		PY 2014 Enacted	PY 2015 Request
	Target	Result	Target	Result	Target	Target
Workforce Information-Electronic Tools-System Building						
Strategic Goal 4 - Secure retirement, health, and other employee benefits and, for those not working, provide income security						
Strategic Objective 4.1 - Provide income support when work is impossible or unavailable and facilitate return to work						
* Number of CareerOneStop site visits (in millions)	18.50	20.00	24.50	--	25.00	25.50
* Site visits for CareerOneStop and O*NET (in millions)	48.50	54.20	54.50	--	55.00	61.00
Cost per site visit	\$0.40	\$0.40	\$0.36	--	\$0.35	\$0.32
Number of O*NET site visits (in millions)	30.00	34.20	30.00	--	30.00	35.50
Number of State of Local Workforce Investment Boards that become Employment Networks (ENs)	--	--	--	--	5	13
Number of assigned tickets to State or Local Workforce Investment Boards	--	--	--	--	200	372
Revenue to State or Local Workforce Board ENs for job placement of Social Security disability beneficiaries	--	--	--	--	\$20,000.00	\$302,085.00

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 2015 are 25.5 million site visits for CareerOneStop Web sites and 35.5 million site visits for O*NET Web sites, for an estimated total of 61.0 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. The Department is able to measure the number of Web site visitors who access information and services. The Department has chosen not to collect registration or private identifying information to access the site, and so does not able to collect data on how site visitors use these services or their later employment experience. The currently collected information on site visits reflects intermediate outputs rather than final outcomes.

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 Centers (also known as One-Stop Career Centers), and virtually all found it “useful or very useful.” Since this GAO study, the Department 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, Mi Proximo Paso, 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. A December 2013 GAO study surveyed selected Workforce Investment Boards on the information they use to identify available jobs and potential high-growth occupations. 89 percent of WIB respondents reported using state industry and occupational projections from the state labor market information office (funded by the workforce information grants in this section) and 80 percent reported it very or moderately useful. 77 percent reported using O*NET Online to a large or moderate large extent, and 83 percent reported that it was very or moderately useful. 41 percent reported using CareerOneStop/America’s Career InfoNet to a large or moderate extent and 66 percent reported that it was very or moderately useful for this purpose.

The steadily increasing traffic to the 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 respond to various economic dislocations. Continuous improvement in customer service remains a top priority, and the Department utilizes multiple approaches to obtain customer feedback and input through the use of social media and other forms of interactive communication.

For the Disability Employment Initiative, 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

WORKFORCE INFORMATION/ELECTRONIC TOOLS/SYSTEM BUILDING

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 Tickets accepted, and funds received by Employment Networks for job placements of Social Security disability beneficiaries.
- 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 2013 Enacted	FY 2014 Enacted	FY 2015 Request	Diff. FY15 Request / FY14 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
25.2	Other services from non-Federal sources	0	0	0	0
41.0	Grants, subsidies, and contributions	60,153	60,153	60,153	0
	Total	60,153	60,153	60,153	0

WORKFORCE INFORMATION/ELECTRONIC TOOLS/SYSTEM BUILDING

CHANGES IN FY 2015

(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	\$0
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Direct FTE	0
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	Estimate	FTE
Base	\$60,153	0
Program Increase	\$0	0
Program Decrease	\$0	0