

FY 2017

CONGRESSIONAL BUDGET JUSTIFICATION

EMPLOYMENT AND TRAINING ADMINISTRATION

**State Unemployment Insurance and
Employment Service Operations**

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STATE UNEMPLOYMENT INSURANCE AND EMPLOYMENT SERVICE OPERATIONS

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STATE UNEMPLOYMENT INSURANCE AND EMPLOYMENT SERVICE OPERATIONS

APPROPRIATION LANGUAGE

STATE UNEMPLOYMENT INSURANCE AND EMPLOYMENT SERVICE OPERATIONS

For authorized administrative expenses, [~~\$89,066,000~~]~~\$96,566,000~~, together with not to exceed [~~\$3,480,812,000~~]~~\$3,499,519,000~~ which may be expended from the Employment Security Administration Account in the Unemployment Trust Fund ("the Trust Fund"), of which:

(1) [~~\$2,725,550,000~~] ~~\$2,742,919,000~~ 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 [~~\$95,000,000~~]~~\$150,900,000~~ to conduct in-person reemployment and eligibility assessments and unemployment insurance improper payment reviews, and to provide reemployment services and referrals to training as appropriate, for claimants of unemployment insurance for ex-service members under 5 U.S.C. 8521 et. seq. and for the claimants of regular unemployment compensation who are profiled as most likely to exhaust their benefits in each State, *as specified for purposes of section 251(b)(2) of the Balanced Budget and Emergency Deficit Control Act of 1985*, ~~\$10,000,000~~ for activities to address the misclassification of workers, and [~~\$3,000,000~~]~~\$7,000,000~~ for continued support of the Unemployment Insurance Integrity Center of Excellence), the administration of unemployment insurance for Federal employees and for ex-service members as authorized under 5 U.S.C. 8501–8523, and the administration of trade readjustment allowances, reemployment trade adjustment assistance, and alternative trade adjustment assistance under the Trade Act of 1974 and under section 231(a) of the Trade Adjustment Assistance Extension Act of 2011 and section 405(a) of the Trade Preferences Extension Act of 2015, and shall be available for obligation by the States through December 31, [~~2016~~]~~2017~~, except that funds used for automation [~~acquisitions~~] shall be available for Federal obligation through December 31, [~~2016~~]~~2017~~, and for State obligation through September 30, [~~2018~~]~~2019~~, or, if the automation [~~acquisition~~] is being carried out through consortia of States, for State obligation through September 30, [~~2021~~]~~2022~~, and for expenditure through September 30, [~~2022~~]~~2023~~, and funds for competitive grants awarded to States for improved operations and to conduct in-person *reemployment and eligibility* assessments and *unemployment insurance improper payment* reviews and provide reemployment services and referrals *to training, as appropriate, and to address misclassification of workers* shall be available for Federal obligation through December 31, [~~2016~~]~~2017~~, and for obligation by the States through September 30, [~~2018~~]~~2019~~, and funds for the Unemployment Insurance Integrity Center of Excellence shall be available for obligation by the State through September 30, [~~2017~~] ~~2020~~, and funds used for unemployment insurance workloads experienced by the States through September 30, [~~2016~~]~~2017~~ shall be available for Federal obligation through December 31, [~~2016~~]~~2017~~;

(2) [~~\$14,547,000~~]~~\$15,247,000~~ from the Trust Fund is for national activities necessary to support the administration of the Federal-State unemployment insurance system;

(3) ~~\$658,587,000~~ 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

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be available for Federal obligation for the period July 1, [2016]2017 through June 30, [2017]2018;

(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;

(5) [\$62,310,000]\$62,948,000 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 [\$48,028,000]\$48,666,000 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) [\$67,653,000]\$75,153,000 from the General Fund is to provide workforce information, national electronic tools, and one-stop system building under the Wagner-Peyser Act, and shall be available for Federal obligation for the period July 1, [2016]2017 through June 30, [2017]2018:

Provided, That to the extent that the Average Weekly Insured Unemployment ("AWIU") for fiscal year [2016]2017 is projected by the Department of Labor to exceed [2,680,000]2,249,000, an additional \$28,600,000 from the Trust Fund shall be available for obligation for every 100,000 increase in the AWIU level (including a pro rata amount for any increment less than 100,000) to carry out title III of the Social Security Act: *Provided further*, That funds appropriated in this Act that are allotted to a State to carry out activities under title III of the Social Security Act may be used by such State to assist other States in carrying out activities under such title III if the other States include areas that have suffered a major disaster declared by the President under the Robert T. Stafford Disaster Relief and Emergency Assistance Act: *Provided further*, That the Secretary may use funds appropriated for grants to States under title III of the Social Security Act to make payments on behalf of States for the use of the National Directory of New Hires under section 453(j)(8) of such Act: *Provided further*, That the Secretary may use funds appropriated for grants to States under title III of the Social Security Act to make payments on behalf of States to the entity operating the State Information Data Exchange System: *Provided further*, That funds appropriated in this Act which are used to establish a national one-stop career center system, or which are used to support the national activities of the Federal-State unemployment insurance, employment service, or immigration programs, may be obligated in contracts, grants, or agreements with States and non-State entities: *Provided further*, That States awarded competitive grants for improved operations under title III of the Social Security Act, or awarded grants to support the national activities of the Federal-State unemployment insurance system, may award subgrants to other States *and non-State entities* 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-

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87]publication entitled *Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards: Provided further*, That the Secretary, at the request of a State participating in a consortium with other States, may reallocate funds allotted to such State under title III of the Social Security Act to other States participating in the consortium in order to carry out activities that benefit the administration of the unemployment compensation law of the State making the request: *Provided further*, That the Secretary may collect fees for the costs associated with additional data collection, analyses, and reporting services relating to the National Agricultural Workers Survey requested by State and local governments, public and private institutions of higher education, and nonprofit organizations and may utilize such sums, in accordance with the provisions of 29 U.S.C. 9a, for the National Agricultural Workers Survey infrastructure, methodology, and data to meet the information collection and reporting needs of such entities, which shall be credited to this appropriation and shall remain available until September 30, [2017]2018, for such purposes.

In addition, [\$20,000,000]\$35,000,000 from the Employment Security Administration Account of the Unemployment Trust Fund shall be available for in-person reemployment and eligibility assessments and unemployment insurance improper payment reviews and to provide reemployment services and referrals to training as appropriate, *for claimants of unemployment insurance for ex-service members under 5 U.S.C. 8521 et seq. and for the claimants of regular unemployment compensation who are profiled as most likely to exhaust their benefits in each State, as specified for purposes of section 251(b)(2) of the Balanced Budget and Emergency Deficit Control Act of 1985*, which shall be available for Federal obligations through December 31, [2016] 2017, and for State obligation through September 30, [2018]2019. (*Department of Labor Appropriations Act, 2016.*)

STATE UNEMPLOYMENT INSURANCE AND EMPLOYMENT SERVICE OPERATIONS

EXPLANATION OF LANGUAGE CHANGE

The Administration proposes several changes to the language under the heading “State Unemployment Insurance and Employment Service Operations” for FY 2017 from the language that was enacted for FY 2016.

In paragraph (1), language is added to provide that funds used for in-person reemployment and eligibility assessments and unemployment insurance improper payment reviews and to provide reemployment services and referrals to training, as appropriate (RESEA) are included in the funds specified in section 251(b)(2) of the Balanced Budget and Emergency Deficit Control Act (BBEDCA). This additional language is intended to complement a proposed \$35 million cap adjustment in FY 2017 for RESEA activities aimed at reducing improper payments.

In paragraph (1), language is added to provide \$10 million for grants to States to address the misclassification of workers as independent contractors when they should be classified as employees. These funds are important to help to ensure workers are classified as employees where appropriate and able to receive unemployment compensation to which they are otherwise entitled. Reducing the misclassification of employees reduces the competitive advantage unscrupulous employers gain by not paying payroll taxes thereby lowering labor costs and which shortchanges revenue for enacted programs.

In paragraph (1), language is added to clarify that the funds for RESEA and to address the misclassification of workers, are available for Federal obligation through December 31, 2017 and for State obligation through September 30, 2019, consistent with the duration of availability for these funds under prior acts.

In paragraph (1), the references to funds used for “automation” replaces the references in FY 2016 to “automation acquisition” to reflect that these funds are used for maintenance and repair of automation equipment in addition to the acquisition of new automation equipment.

In the sixth proviso following paragraph (6), the authority for States that are awarded competitive grants under title III of the Social Security Act, or to support national activities of the Federal-State unemployment insurance systems, to award subgrants to other states, subject to the conditions of the original grant, is amended to also authorize such subgrants to non-state entities. This will provide States important flexibility in carrying out those grant activities.

In the seventh proviso following paragraph (6), the reference from the FY 2016 Act to OMB Circular A-87 has been changed to refer to the OMB publication entitled “Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards”. The changed reference is to the so-called Supercircular, which has superseded OMB Circular A-87.

Finally, language will be added at the end of SUIESO regarding the additional funding for RESEA. Similar to the language described in paragraph (1), language is added to complement the proposed \$35 million program integrity cap adjustment in FY 2017.

**STATE UNEMPLOYMENT INSURANCE AND EMPLOYMENT
SERVICE OPERATIONS**

AMOUNTS AVAILABLE FOR OBLIGATION						
(Dollars in Thousands)						
	FY 2015 Enacted		FY 2016 Enacted		FY 2017 Request	
	FTE	Amount	FTE	Amount	FTE	Amount
A. Appropriation	0	\$81,566	0	\$89,066	0	\$96,566
<i>Subtotal Appropriation</i>	<i>0</i>	<i>\$81,566</i>	<i>0</i>	<i>\$89,066</i>	<i>0</i>	<i>\$96,566</i>
Offsetting Collections From:						
Reimbursements	0	\$10,000	0	\$50,000	0	\$50,000
Trust Funds	177	\$3,515,584	182	\$3,500,812	182	\$3,534,519
Transfer pursuant to P.L. 113-235	0	-\$8,993	0	\$0	0	\$0
Transfer pursuant to P.L. 114-113	0	\$0	7	\$13,000	0	\$0
Fees	29	\$16,000	33	\$18,500	50	\$18,500
<i>Subtotal</i>	<i>206</i>	<i>\$3,532,591</i>	<i>222</i>	<i>\$3,582,312</i>	<i>232</i>	<i>\$3,603,019</i>
B. Gross Budget Authority	206	\$3,614,157	222	\$3,671,378	232	\$3,699,585
Offsetting Collections						
Reimbursements	0	-\$10,000	0	-\$50,000	0	-\$50,000
Transfer pursuant to P.L. 113-235	0	\$8,993	0	\$0	0	\$0
Transfer pursuant to P.L. 114-113	0	\$0	-7	-\$13,000	0	\$0
Fees	-29	-\$16,000	-33	-\$18,500	-50	-\$18,500
<i>Subtotal Offsetting Collections</i>	<i>-29</i>	<i>-\$17,007</i>	<i>-40</i>	<i>-\$81,500</i>	<i>-50</i>	<i>-\$68,500</i>
C. Budget Authority	177	\$3,597,150	182	\$3,589,878	182	\$3,631,085
Before Committee	177	\$3,597,150	182	\$3,589,878	182	\$3,631,085
Offsetting Collections From						
Reimbursements	0	\$10,000	0	\$50,000	0	\$50,000
Transfer pursuant to P.L. 113-235	0	-\$8,993	0	\$0	0	\$0
Transfer pursuant to P.L. 114-113	0	\$0	7	\$13,000	0	\$0
Fees	29	\$16,000	33	\$18,500	50	\$18,500
<i>Subtotal Offsetting Collections</i>	<i>29</i>	<i>\$17,007</i>	<i>40</i>	<i>\$81,500</i>	<i>50</i>	<i>\$68,500</i>
D. Total Budgetary Resources	206	\$3,614,157	222	\$3,671,378	232	\$3,699,585
Other Unobligated Balances	0	\$0	0	\$0	0	\$0
IT Consolidation	-3	\$0	0	\$0	0	\$0
Unobligated Balance Expiring	-8	-\$206	0	\$0	0	\$0
E. Total, Estimated Obligations	195	\$3,613,951	222	\$3,671,378	232	\$3,699,585

STATE UNEMPLOYMENT INSURANCE AND EMPLOYMENT SERVICE OPERATIONS

SUMMARY OF CHANGES

(Dollars in Thousands)

	FY 2016 Enacted	FY 2017 Request	Net Change
Budget Authority			
General Funds	\$89,066	\$96,566	+\$7,500
Trust Funds	\$3,500,812	\$3,534,519	+\$33,707
Total	\$3,589,878	\$3,631,085	+\$41,207
 Full Time Equivalents			
General Funds	0	0	0
Trust Funds	182	182	0
Total	182	182	0

FY 2017 Change

Explanation of Change	FY 2016 Base		Trust Funds		General Funds		Total	
	FTE	Amount	FTE	Amount	FTE	Amount	FTE	Amount
Increases:								
A. Built-Ins:								
To Provide For:								
Costs of pay adjustments	182	\$17,275	0	\$422	0	\$0	0	\$422
Personnel benefits	0	\$5,336	0	\$0	0	\$0	0	\$0
Two days less of Pay	0	\$0	0	\$0	0	\$0	0	\$0
Benefits for former personnel	0	\$2	0	\$0	0	\$0	0	\$0
Travel and transportation of persons	0	\$85	0	\$0	0	\$0	0	\$0
Transportation of things	0	\$0	0	\$0	0	\$0	0	\$0
Rental payments to GSA	0	\$0	0	\$0	0	\$0	0	\$0
Rental payments to others	0	\$0	0	\$0	0	\$0	0	\$0
Communications, utilities, and miscellaneous charges	0	\$335	0	\$0	0	\$0	0	\$0
Printing and reproduction	0	\$5	0	\$0	0	\$0	0	\$0
Advisory and assistance services	0	\$13,707	0	\$0	0	\$0	0	\$0
Other services from non-Federal sources	0	\$373	0	\$0	0	\$0	0	\$0
Working Capital Fund	0	\$4,475	0	\$0	0	\$0	0	\$0
Other Federal sources (Census Bureau)	0	\$320	0	\$0	0	\$0	0	\$0
Other Federal sources (DHS Charges)	0	\$122	0	\$0	0	\$0	0	\$0
Other goods and services from Federal sources	0	\$0	0	\$0	0	\$0	0	\$0
Research & Development Contracts	0	\$0	0	\$0	0	\$0	0	\$0
Operation and maintenance of facilities	0	\$0	0	\$0	0	\$0	0	\$0

STATE UNEMPLOYMENT INSURANCE AND EMPLOYMENT SERVICE OPERATIONS

FY 2017 Change

Explanation of Change	FY 2016 Base		Trust Funds		General Funds		Total	
	FTE	Amount	FTE	Amount	FTE	Amount	FTE	Amount
Operation and maintenance of equipment	0	\$3,473	0	\$0	0	\$0	0	\$0
Supplies and materials	0	\$150	0	\$0	0	\$0	0	\$0
Equipment	0	\$25	0	\$0	0	\$0	0	\$0
Grants, subsidies, and contributions	0	\$3,541,850	0	\$0	0	\$0	0	\$0
Insurance claims and indemnities	0	\$235	0	\$0	0	\$0	0	\$0
Investment and Loans	0	\$0	0	\$0	0	\$0	0	\$0
Built-Ins Subtotal	182	+\$3,587,768	0	+\$422	0	\$0	0	+\$422
B. Programs:								
State Unemployment Insurance (UI)								
Information Technology (IT)								
Investment Fund	0	\$0	0	\$50,000	0	\$0	0	\$50,000
RESEA	0	\$0	0	\$70,900	0	\$0	0	\$70,900
Misclassification	0	\$0	0	\$10,000	0	\$0	0	\$10,000
E-tools, American Job Centers	0	\$0	0	\$0	0	\$7,500	0	\$7,500
Center of Excellence	0	\$0	0	\$4,000	0	\$0	0	\$4,000
National Activities IT	0	\$0	0	\$700	0	\$0	0	\$700
Restoration of Inflationary Built-ins Not Provided in FY 2016 Omnibus	0	\$0	0	\$507	0	\$0	0	\$507
Programs Subtotal			0	+\$136,107	0	+\$7,500	0	+\$143,607
Total Increase	182	+\$3,587,768	0	+\$136,529	0	+\$7,500	0	+\$144,029
Decreases:								
A. Built-Ins:								
To Provide For:								
Two days less of Pay	0	\$0	0	-\$178	0	\$0	0	-\$178
Rental payments to GSA	0	\$2,110	0	-\$113	0	\$0	0	-\$113
Built-Ins Subtotal	0	+\$2,110	0	-\$291	0	\$0	0	-\$291
B. Programs:								
Unemployment Insurance Administration-Workload	0	\$0	0	-\$102,531	0	\$0	0	-\$102,531
Programs Subtotal			0	-\$102,531	0	\$0	0	-\$102,531
Total Decrease	0	+\$2,110	0	-\$102,822	0	\$0	0	-\$102,822
Total Change	182	+\$3,589,878	0	+\$33,707	0	+\$7,500	0	+\$41,207

**STATE UNEMPLOYMENT INSURANCE AND EMPLOYMENT
SERVICE OPERATIONS**

SUMMARY BUDGET AUTHORITY AND FTE BY ACTIVITY								
(Dollars in Thousands)								
	FY 2015 Enacted		FY 2016 Enacted		FY 2017 Request		Diff. FY17 Request / FY16 Enacted	
	FTE	Amount	FTE	Amount	FTE	Amount	FTE	Amount
Unemployment Insurance	0	2,790,685	0	2,760,097	0	2,793,166	0	33,069
Unemployment Trust Funds	0	2,790,685	0	2,760,097	0	2,793,166	0	33,069
State Administration	0	2,687,793	0	2,630,550	0	2,582,019	0	-48,531
Unemployment Trust Funds	0	2,687,793	0	2,630,550	0	2,582,019	0	-48,531
Misclassification	0	10,000	0	0	0	10,000	0	10,000
Unemployment Trust Funds	0	10,000	0	0	0	10,000	0	10,000
Reemployment Services and Eligibility Assessments-UI Integrity	0	80,000	0	115,000	0	185,900	0	70,900
Unemployment Trust Funds	0	80,000	0	115,000	0	185,900	0	70,900
National Activities	0	12,892	0	14,547	0	15,247	0	700
Unemployment Trust Funds	0	12,892	0	14,547	0	15,247	0	700
Employment Service	0	684,002	0	699,818	0	699,818	0	0
General Funds	0	21,413	0	21,413	0	21,413	0	0
Unemployment Trust Funds	0	662,589	0	678,405	0	678,405	0	0
Grants to States	0	664,184	0	680,000	0	680,000	0	0
General Funds	0	21,413	0	21,413	0	21,413	0	0
Unemployment Trust Funds	0	642,771	0	658,587	0	658,587	0	0

**STATE UNEMPLOYMENT INSURANCE AND EMPLOYMENT
SERVICE OPERATIONS**

SUMMARY BUDGET AUTHORITY AND FTE BY ACTIVITY								
(Dollars in Thousands)								
	FY 2015 Enacted		FY 2016 Enacted		FY 2017 Request		Diff. FY17 Request / FY16 Enacted	
	FTE	Amount	FTE	Amount	FTE	Amount	FTE	Amount
Employment Service National Activities	0	19,818	0	19,818	0	19,818	0	0
Unemployment Trust Funds	0	19,818	0	19,818	0	19,818	0	0
Foreign Labor Certification	165	62,310	182	62,310	182	62,948	0	638
Unemployment Trust Funds	165	62,310	182	62,310	182	62,948	0	638
Federal Administration	165	48,028	182	48,028	182	48,666	0	638
Unemployment Trust Funds	165	48,028	182	48,028	182	48,666	0	638
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	67,653	0	75,153	0	7,500
General Funds	0	60,153	0	67,653	0	75,153	0	7,500
Total	165	3,597,150	182	3,589,878	182	3,631,085	0	41,207
General Funds	0	81,566	0	89,066	0	96,566	0	7,500
Unemployment Trust Funds	165	3,515,584	182	3,500,812	182	3,534,519	0	33,707

NOTE: 2015 reflects actual FTE.

**STATE UNEMPLOYMENT INSURANCE AND EMPLOYMENT
SERVICE OPERATIONS**

BUDGET AUTHORITY BY OBJECT CLASS					
(Dollars in Thousands)					
		FY 2015 Enacted	FY 2016 Enacted	FY 2017 Request	Diff. FY17 Request / FY16 Enacted
	Full-Time Equivalent				
	Full-time Permanent	172	182	182	0
	Other	29	40	50	10
	Total	201	222	232	10
	Average ES Salary	\$159,873	\$159,873	\$159,873	\$0
	Average GM/GS Grade	12	12	12	0
	Average GM/GS Salary	\$95,512	\$95,512	\$95,512	\$0
11.1	Full-time permanent	16,891	17,095	17,339	244
11.3	Other than full-time permanent	0	0	0	0
11.5	Other personnel compensation	185	180	180	0
11.9	Total personnel compensation	17,076	17,275	17,519	244
12.1	Civilian personnel benefits	5,236	5,336	5,336	0
13.0	Benefits for former personnel	2	2	2	0
21.0	Travel and transportation of persons	50	85	85	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	2,355	2,110	1,997	-113
23.2	Rental payments to others	0	0	0	0
23.3	Communications, utilities, and miscellaneous charges	369	335	335	0
24.0	Printing and reproduction	5	5	5	0
25.1	Advisory and assistance services	10,956	12,852	13,359	507
25.2	Other services from non-Federal sources	314	373	373	0
25.3	Other goods and services from Federal sources 1/	5,896	5,772	5,772	0
25.4	Operation and maintenance of facilities	171	0	0	0
25.5	Research and development contracts	0	0	0	0
25.7	Operation and maintenance of equipment	4,873	3,473	3,473	0
26.0	Supplies and materials	214	150	150	0
31.0	Equipment	464	25	25	0
33.0	Investments and Loans	0	0	0	0
38.0	Depreciation Expense - Unfunded	0	0	0	0
41.0	Grants, subsidies, and contributions	3,549,122	3,541,850	3,582,419	40,569
42.0	Insurance claims and indemnities	47	235	235	0
	Total	3,597,150	3,589,878	3,631,085	41,207
	1/Other goods and services from Federal sources				
	Working Capital Fund	5,330	5,330	5,330	0
	DHS Services	152	122	122	0
	Census Services	414	320	320	0

STATE UNEMPLOYMENT INSURANCE AND EMPLOYMENT SERVICE OPERATIONS

SIGNIFICANT ITEMS IN FY 2016 APPROPRIATIONS' REPORTS

Unemployment Insurance

H. Report 114-195: Reemployment and Eligibility Assessments

The Committee remains supportive of the REA program as a means to reduce waste, fraud, abuse and improper payments. This initiative should be viewed not just as a savings mechanism, but also as a way to reform the manner in which the States can implement stronger controls over the UI program. The OIG noted in its March 31, 2011 review of funding provided in the Recovery Act, "DOL's spending guidance did not direct states to address long-term weaknesses and problems . . . thereby missing an opportunity to create long-standing program improvements." In a report issued on January 31, 2012, the OIG further found that ETA had failed to establish goals to identify improper payments related to federally-funded emergency benefits, and that "ETA and its regions could not objectively measure how well States were doing in identifying improper payments related" to these benefits. Within the additional funds provided for REAs, the Committee expects that ETA will advance comprehensive technology-based overpayment prevention, detection, and collection infrastructure in support of efforts to reduce waste, fraud, abuse and improper payments.

ETA Response:

Reducing Unemployment Insurance (UI) improper payments and improving program integrity remains one of ETA's top priorities. ETA uses UI performance data to identify national and state root causes of improper payments, and works with its state partners to develop, update, and implement an ever evolving and robust strategic plan to prevent, detect, and recover UI improper payments by targeting the largest root causes of overpayments.

ETA provided states approximately \$639.2 million in supplemental funding from Fiscal Years 2011 through 2015, to support states' efforts in implementing the core activities contained in the Department of Labor's strategic plan and to support modernization of state UI information technology systems, which also contribute to their ability to ensure program integrity. A large majority of the funding has been used by states for technology-based projects to improve prevention, detection, and recovery of improper payments and fraud. These funding opportunities have led to widespread state adoption of strategies such as the use of the National Directory of New Hires (NDNH) for cross-matching UI claims, the State Information Data Exchange System (SIDES) for timely and accurate exchange of employer information, and Treasury Offset Program (TOP) for the recovery of fraud and certain non-fraud overpayments.

These funds also support states' efforts to improve program performance and support modernization of their IT infrastructures, including the incorporation of new technologies and tools such as document management systems, forms management, and ad-hoc reporting tools. The resulting system improvements will provide states with the agility to

STATE UNEMPLOYMENT INSURANCE AND EMPLOYMENT SERVICE OPERATIONS

increase capacity to handle greater claims loads and enhance staff productivity and services.

ETA will continue to support state efforts to implement program integrity and performance improvement strategies to the extent that supplemental funds are available. In addition, ETA will set aside a portion of the funding for the Reemployment Services and Eligibility Assessment program (RESEA, formerly the REA program), as recommended in the Committee's report language, to "advance comprehensive technology-based overpayment prevention, detection, and collection infrastructure in support of efforts to reduce waste, fraud, abuse and improper payments."

Foreign Labor Certification

H. Report 114-195: FLC

The FLC program administers foreign visas including the H-2A and the H-2B temporary worker programs. These programs are essential to employers in industries that have cyclical peaks or that are seasonal in nature, including agriculture, tourism, and hospitality. Nonimmigrant worker programs have provided critical support to these types of industries for many decades. Despite broad support and a clear need for these programs, the Department has engaged in rulemaking and policy changes that have resulted in far reaching and negative impacts on the industries and people these programs are intended to serve. Therefore, the Committee directs the Department to ensure continuity and viability of these programs in accordance with all applicable laws.

H. Report 114-195: H-2A

The H-2A program is a critical source of labor for the agricultural industry. The program ensures a legal labor force to fill temporary jobs when an insufficient number of American workers are available; however, requirements for cost reimbursement, hiring practices, reporting, and wage rates have caused the H-2A program to become excessively burdensome and complex. The Committee believes this leads to perverse and counterproductive incentives for illegal immigration. The Committee urges the Department to review H2-A regulations and propose changes to streamline the process for employers and reduce incentives for farmers to hire immigrant workers illegally.

H. Report 114-195: H-2B

The H-2B program is a critical source of labor for industries including fishing, tourism, hospitality, recreation and seasonal activities. The program ensures a legal labor force to fill temporary jobs when an insufficient number of American workers are available, however, requirements set forth in a series of proposed regulations makes the program excessively burdensome and complex on employers seeking to legally obtain temporary employees. The Committee directs the Department to administer and regulate the H-2B program in a manner that is consistent with the law, easier for employers legally seeking temporary workers at a reasonable prevailing wages, and reduces incentives for employers to hire immigrant workers illegally.

STATE UNEMPLOYMENT INSURANCE AND EMPLOYMENT SERVICE OPERATIONS

ETA Response:

Because the three questions address the same general issues, we are providing one comprehensive answer. The Department always strives to administer and regulate the H-2A and H-2B programs in a manner that is consistent with the law. We agree that compliance should not cause undue burden. For this reason, the Department assists employers with compliance and provides technical assistance for employers who want to comply with the law. In addition, during the Department's recent efforts to update the regulations implementing the H-2 programs, the Department actively encouraged information from our stakeholder community to obtain valuable input for the development of the regulations. These efforts provided us with a wealth of information for improving both the regulations and their burden analyses, leading to the issuance of regulations that minimize the burden on employers while at the same time protect the interests of U.S. workers, their wages and their working conditions.

STATE UNEMPLOYMENT INSURANCE AND EMPLOYMENT SERVICE OPERATIONS

APPROPRIATION HISTORY					
(Dollars in Thousands)					
	Budget Estimates to Congress	House Allowance	Senate Allowance	Appropriations	FTE
2007					
Base Appropriation	\$3,435,717			\$3,340,350	0
2008					
Base Appropriation...1/ 2/	\$3,338,753			\$3,265,883	0
2009					
Base Appropriation...3/ 4/	\$2,782,914		\$17,295	\$4,359,207	162
2010					
Base Appropriation	\$4,101,556			\$4,113,681	181
2011					
Base Appropriation...5/	\$4,435,327			\$4,102,672	209
2012					
Base Appropriation...6/	\$4,202,057			\$4,086,935	181
2013					
Base Appropriation	\$3,962,240		\$25,000	\$3,813,205	181
2014					
Base Appropriation...7/	\$3,825,699			\$3,698,379	188
2015					
Base Appropriation...7/	\$3,676,455			\$3,597,150	177
2016					
Base Appropriation	\$4,138,023	\$3,580,123	\$3,519,561	\$3,589,878	182
2017					
Base Appropriation	\$3,595,430				182

1/ Reflects 1.747% rescission.

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

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

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

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

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

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

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 to administer programs that provide temporary assistance for unemployed workers based on estimated claims level, 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, including job seekers with disabilities.

Programmatic activities under the SUIESO account includes 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 2015 Enacted	FY 2016 Enacted	FY 2017 Request	Diff. FY17 Request / FY16 Enacted
Activity Appropriation	2,790,685	2,760,097	2,793,166	33,069
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 actively seeking new employment. Workers who quit their jobs voluntarily or are fired for cause are not eligible for UI benefits. An integral part of the public workforce investment system, the UI program is one of the key entry points for unemployed workers into the American Job Centers and to the services that speed their return to work. The Workforce Innovation and Opportunity Act, which emphasizes reemployment service delivery to UI claimants under the Wagner-Peyser Act, requires Wagner-Peyser Act employment services to be co-located with the American Job Centers' delivery system and puts a new focus on the alignment of data systems that support effective service delivery. Hence, it is more critical than ever to ensure that the UI program is a fully integrated component of the workforce system. Ensuring that the UI safety net is blended with strong reemployment service delivery through American Job Centers remains a high priority for the Department.

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 spent on UI benefits during a recession generated \$2.00 in economic activity.

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

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

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The following are the primary areas of strategic focus for the UI program in FY 2017:

- 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; providing technical assistance to states; and implementing reengineered benefit accountability processes focusing more heavily on UI program operation;
- Preventing long-term unemployment by deploying enhanced re-employment strategies effectively to ensure UI claimants, including transitioning veterans and claimants identified as likely to exhaust benefits, have access to the full continuum of available job-driven reemployment services through American Job Centers; and
- Increasing integration of the UI program with workforce programs relative to both service delivery and integrated data systems under the Workforce Innovation and Opportunity Act to ensure seamless service delivery to UI claimants; enhance labor market information; support program integrity, and enhance performance accountability.

The Budget includes a number of proposals to speed the reemployment of the potentially long-term unemployed; improve program integrity; and enable states to more effectively prevent, detect, and recover improper payments. In addition, the Budget proposes a cost-neutral suite of reforms to strengthen and modernize the UI program.

Reemployment Services and Eligibility Assessments

Evidence suggests that the RESEA program is a cost-effective way of reducing improper payments and getting claimants back to work faster and at higher wages. Beginning in 2018, the Budget proposes a permanent, mandatory RESEA program. This program will automatically provide states with sufficient funding to provide reemployment services and eligibility assessments to the one-third of claimants identified as most likely to exhaust benefits as well as all UCX claimants. Funding will automatically fluctuate each year along with the number of individuals that receive UI benefits to ensure that states are able to provide services to claimants that need them.

UI Program Integrity

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

- 1) With respect to the Treasury Offset Program (TOP), enables information technology (IT) contractors as agents of the state to handle the data so states that completely outsource their IT functions can implement TOP.
- 2) Requires states to use an electronic system, designated by the Secretary, for electronic transmission of claimant separation information between employers (or their agents) and

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state workforce agencies (SWAs). This system currently in use is the State Information Data Exchange System (SIDES).

- 3) Requires National Directory of New Hires (NDNH) cross-matching for benefit payment control (BPC) and requires states to provide monetary penalties for employers that fail to report. Current law only permits states to provide penalties not to exceed \$25 for failure to comply and not to exceed \$500 for fraud. The bill requires penalties of not less than \$25 for failure to comply and not less than \$500 for fraud.
- 4) Codifies that the Secretary may establish performance measures; gives the Secretary the authority to mandate that a state use some portion of its administrative grant to implement a specific corrective action; and provides authority for the Secretary to provide awards and incentives for strong state performance if funds are available.
- 5) Requires unemployment insurance (UI) Penalty and Interest funds, unless otherwise required by Federal law to be deposited in the state's trust fund, to be used solely for administration of the UI program. Language is included that allows these funds to be used to provide additional reemployment services (RES) and reemployment and eligibility assessments (REA) activities. Additionally, the bill requires states to use at least 10% of the funds on program integrity activities. However, if the state has an improper payment rate over 10%, in the prior year, the state must use 50% of the funds for program integrity activities.
- 6) Mandates that states cross-match with the Social Security Administration (SSA) prisoner database, the Prisoner Update Processing System (PUPS), to identify fraudulent claims by incarcerated individuals.
- 7) Allows states to use up to 5% of recovered improper payments for integrity activities.

Wage Insurance and UI Program Modernization

The Budget includes a comprehensive, cost-neutral suite of reforms to strengthen and modernize the UI program. These reforms will put the system on a stronger financial footing, make the program more responsive to future downturns, improve the program's connection to work and training, expand eligibility for those who need it most, help prevent layoffs, and provide wage insurance to help workers make ends meet if a new job pays less than an old one.

UI Solvency. Coming out of the Great Recession, state programs are still not adequately financed. In fact, only 20 States have sufficient reserves to weather a single year of recession. Low State reserves remain a serious threat to UI for working Americans. The Budget aims to put state UI programs on a path to permanent solvency while ensuring they have sufficient reserves to weather the next economic crisis. The Budget proposes to restore the 0.2 percent Federal Unemployment Tax Act (FUTA) surtax in 2017 and increase the taxable wage base to \$40,000 in 2018 while decreasing the effective FUTA tax to 0.167 percent to avoid a Federal tax increase in the first year. After 2018, the wage base will be indexed to inflation. Beginning in 2018, the proposal will also require states to impose a minimum tax per employee that equates to 0.175

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percent of the FUTA wage base (\$70 per employee in 2018). The minimum tax will better spread the burden of the socialized costs associated with administering the UI program to all employers. To provide an additional incentive for states to achieve solvency, the Budget will change the rules for FUTA credit reductions. The Budget proposes to apply the FUTA credit reduction rules to states that have an Average High Cost Multiple (AHCM) less than 0.5 on two or more consecutive January firsts. (An AHCM of 1.0 indicates that a state has sufficient funds in its trust fund account to pay benefits for one year of an average recession.)

Expanded Access to UI Benefits and Services. UI provides critical income support to unemployed workers. But after cutbacks in coverage by states and broader changes in the evolving economy, fewer than one out of every three unemployed workers today receives UI benefits, the lowest level in half a century. The Budget makes changes to ensure that UI benefits and reemployment opportunities are available to more workers who need them. The proposal requires all states to have a maximum duration of at least 26 weeks for the regular program and also requires states to adopt three policies that expand access to UI benefits: 1) states must utilize an alternative base period; 2) states may not deny benefits to claimants who seek part-time employment; and 3) states must allow unemployed workers to be eligible for UI benefits if they leave their jobs for family reasons (these benefits could be “non-charged” at the discretion of the state since they do not involve an employer-induced layoff).

Building on the success of the Recovery Act, the Budget also includes a \$5 billion Modernization Fund. The goal of the Modernization Fund is to incentivize states to make improvements in their UI programs’ coverage, benefits, and connection to work. Through the Modernization Fund, states will be encouraged to allow workers to retool their skills to prepare for new job opportunities while receiving UI benefits and to create apprenticeship and on-the-job training programs to help the unemployed get back to work. To become eligible for an incentive payment, states will have to: provide for broader federal access to wage record data; adopt e-filing and/or increased penalties for employer non-reporting; and have a definition of “misconduct” that conforms to DOL’s model definition. To receive an incentive payment, a state will have to adopt one benefit expansion reform and two pro-work reforms.

The pro-work reforms are: 1) progressively more intense reemployment service delivery as duration of benefit receipt lengthens; 2) improved reemployment services for UI claimants; 3) voluntary work-based programs for UI claimants, such as an OJT or apprenticeship program or subsidized temporary work programs; 4) a relocation assistance program coupled with individual case management, in-person career counseling, provision of customized information on availability of job opportunities in other locations, and referrals to suitable jobs in other locations; and 5) improvement of data systems to enable and provide access to workforce and educational entities for performance, research, and evaluation.

The benefit expansions are: 1) allow UI benefits be paid to claimants in approved training; 2) have a maximum weekly benefit amount that is at least 2/3 of the state’s average weekly wage in covered employment in the most recent 12-month period for which data is available; and 3) improve eligibility provisions related to temporary workers. States will be required to show they did not scale back their existing UI program in any way for a period of four years, or risk loss of the UI modernization funds. In addition, states that maintain the new provisions for four years

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will receive a bonus payment based on unused funds from the \$5,000,000,000 made available. Those unused funds will be distributed to qualified states in proportion to amounts they received. The funding for this modernization program will come from the General Fund.

Wage Insurance. The Budget proposes to create a wage insurance program to provide a safety net for workers who lose their jobs and become reemployed at lower wages, at least initially—often in new industries. To be eligible for wage insurance, claimants must have had at least three years of tenure at their previous job, and their new job must pay less than \$50,000 per year. Wage insurance would pay half of the difference between the previous wage and the new wage, up to a maximum of \$10,000 over a period of up to two years. The goal of the program is two-fold: help workers who return to work at lower wages on a temporary basis as they gain a foothold in their new jobs and provide workers an incentive to return to work, even if they must take a pay cut relative to their former employment.

Work Sharing. The Budget also contains incentives for states to adopt or expand their Short-Time Compensation (STC) programs, also known as work sharing. STC is a state-based UI program aimed at preventing unemployment due to cyclical downturns. The program allows employers to enter into an agreement with the state to reduce their employees' work hours and allow those employees to receive partial unemployment benefits based on the size of their hour reduction (e.g., 25 percent of a full UI benefit if the hours are reduced by 25 percent). STC is a key tool for employers during an economic downturn, allowing them to maintain a skilled workforce while weathering a slump in demand. However, only 26 states are currently operating STC programs. The incentives included in the Budget will help to increase the number of states with STC programs before the next recession hits.

Similar to provisions in the Middle-Class Tax Relief and Job Creation Act of 2012 (Middle-Class Tax Act, P.L. 112-96), the Budget proposes to renew expired incentives from the Middle Class Tax Act for an additional two years, as proposed by Senator Reed. The incentives will provide for federal reimbursement of STC benefits for all states with a conforming program as well as implementation grants totaling \$100 million for states that have not yet received one and that adopt a conforming STC program. In addition, the Budget proposes a 50-50 federal cost share of STC benefits when a state is triggered onto Extended Benefits (by a high and rising state unemployment rate). To further incentivize STC take-up, states will be allowed to “non-charge” (not apply experience rating to) any benefits paid by the federal government while a state is triggered onto Extended Benefits.

Extended Benefits During Recessions. The current Extended Benefits (EB) program, which provides up to 20 additional weeks of benefits in states with high and rising unemployment, does not provide sufficient help during recessions because it provides too few weeks of additional benefits and its triggers (which in most states are based on the insured unemployment rate) are not responsive enough. As a result, Congress passes ad hoc emergency UI programs that begin too late to provide the early stimulus that could lessen the severity of a recession. The Budget proposes to fix this by creating a new permanent, federally funded EB program that would respond quickly when state unemployment rates rise and provide more robust Federal assistance. The mandatory insured unemployment rate trigger will be replaced by a modification of the current optional total unemployment rate trigger. The program will have four tiers of 13 weeks

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each using trigger thresholds of 6.5 percent, 7.5 percent, 8.5 percent, and 9.5 percent. A state could trigger onto a tier either because the three-month average total unemployment rate is at or above a trigger value or by having an unemployment rate plus the change in rates from a comparable period in one of the previous two years at or above the trigger value. As with the current EB program, funding will come from the Extended Unemployment Compensation Account. However if that account does not have sufficient funds, funds will be provided from the General Fund through non-repayable advances. In addition, all EB claimants will be required to receive RESEAs as a condition of eligibility.

Five-Year Budget Activity History

<u>Fiscal Year</u>	<u>Funding</u> (Dollars in Thousands)	<u>FTE</u>
2012	\$3,236,314	0
2013	\$3,007,154	0
2014	\$2,892,251	0
2015	\$2,790,685	0
2016	\$2,760,097	0

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DETAILED WORKLOAD AND PERFORMANCE				
	FY 2015 Enacted		FY 2016 Enacted	FY 2017 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				
Employer Tax Accounts (in thousands)	7,849	7,757	7,843	7,930
Initial Claims Taken (in thousands)	19,094	14,869	17,673	15,497
Weeks Claimed (in thousands)	152,589	121,454	129,849	116,167
ETA-UI-01 First Payment Timeliness (Unemployment Insurance)	87.50%	83.70%	87.50%	87.00%
Improper Payment Rate	11.34%	10.73%	10.63%	10.53%
ETA-UI-02 Detection of Recoverable Overpayments: Percent of the amount of estimated overpayments that States detect established for recovery (Unemployment Insurance)	55.30%	61.20%	67.90%	61.40%
ETA-UI-03 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. (Unemployment Insurance) (Unemployment Insurance)	89.0%	87.3%	89.0%	88.0%

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

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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 121,454,000 in FY 2015, to 116,167,000 in FY 2017 — and an increase in the number of initial claims taken and employer tax accounts — from 14,869,000 and 7,757,000 in FY 2015, to 15,497,000 and 7,930,000 in FY 2017, respectively. It is important to note that UI workload volumes are influenced by economic conditions, not the administrative funds available. It is estimated that the unemployment rate in FY 2017 will average 4.5 percent down from an estimated 4.8 percent in FY 2016 and this tightening labor market will exert downward pressure on average durations for UI claimants. As workloads are processed by the states, however, funding levels do affect the quality and timeliness of state UI operations.

Past Performance Results and Future Projections

1) Payment Timeliness: Performance fell below the FY 2015 target of 87.5 percent; 83.7 percent of first payments were made within 14-21 days, up 4 percentage points from the FY 2014 level of 79.7 percent. Given the gap between 2015 performance and the 2015 target and the performance trend, performance seems likely to fall short of the FY 2016 target of 87.5 percent.

The decrease in timeliness in 2015 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. The FY 2017 target for this measure has been reduced slightly below the FYs 2015 and 2016 target but still relatively high reflecting ETA's special efforts to raise performance in a few chronically underperforming states. Recent results suggest that special efforts in nine of the ten states that have resulted in improved performance. Performance improved in 39 states between FY 2014 and 2015.

2) Detection of Overpayments: States detected and established for recovery 61.2 percent of estimated overpayments, which exceeded the FY 2015 target of 55.3 percent by over 5 percentage points. Based on the FY 2015 results and ETA's robust strategic plan targeting the largest root causes of improper payments, ETA set an ambitious target for FY 2016 which appears to be unattainable. The FY 2017 target has been reduced to a more reasonable level based on the trend for this measure. Although states have benefited with the supplemental funding provided for implementing program-integrity related automation projects, they continue to be challenged by the lack of adequate staff to independently validate the hits received through automated cross-match with different data sources. The Computer Matching and Privacy Protection Act requires an independent verification of the information received from a crossmatch prior to suspending, terminating, or reducing benefit payments to claimants.

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3) Establish Tax Accounts Promptly: In FY 2015, 87.3 percent of new status determinations were made within 90 days of the end of the quarter in which the firm became liable. This represents a drop of 0.9 percentage point from the year before and below the 89 percent target.

In FY 2015, 24 states' performance declined, which, in turn, reduced the national average slightly from 88.2 percent in FY 2014 to 87.3 percent. The decline in performance by states has been attributed to staff layoffs; staff turnover and time required for training new staff to become proficient in state UI laws pertaining to subject employer liability, and information technology system issues associated with new system implementation. The FY 2017 target has been reduced to reflect the current performance trend for this measure.

4) Improper Payment Rate: In FY 2015, the UI improper payment rate was 10.73 percent, which is 0.8 percentage points below the FY 2014 level. ETA's comprehensive strategic plan focuses on state strategies that address specific root causes of improper payments. The plan is continuously evolving as new strategies are identified and the progress with each strategy in this plan is regularly monitored. These strategies target the three largest root causes of UI improper payments: payments to individuals who continue to claim benefits after they have returned to work (Benefit Year Earnings); failure of claimants to comply with the state's work search requirements (Work Search).; and failure of employers or their third party administrators to provide timely and adequate information on the reason for an individual's separation from employment (Separation).

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BUDGET ACTIVITY BY OBJECT CLASS					
(Dollars in Thousands)					
		FY 2015 Enacted	FY 2016 Enacted	FY 2017 Request	Diff. FY17 Request / FY16 Enacted
11.1	Full-time permanent	0	0	0	0
11.5	Other personnel compensation	0	0	0	0
11.9	Total personnel compensation	0	0	0	0
12.1	Civilian personnel benefits	0	0	0	0
21.0	Travel and transportation of persons	0	0	0	0
23.0	Rent, Communications, and Utilities	0	0	0	0
23.3	Communications, utilities, and miscellaneous charges	0	0	0	0
24.0	Printing and reproduction	0	0	0	0
25.1	Advisory and assistance services	0	0	0	0
25.2	Other services from non-Federal sources	0	0	0	0
25.3	Other goods and services from Federal sources 1/	0	0	0	0
25.7	Operation and maintenance of equipment	0	0	0	0
26.0	Supplies and materials	0	0	0	0
31.0	Equipment	0	0	0	0
41.0	Grants, subsidies, and contributions	2,790,685	2,760,097	2,793,166	33,069
	Total	2,790,685	2,760,097	2,793,166	33,069
	1/Other goods and services from Federal sources				

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CHANGES IN FY 2017

(Dollars in Thousands)

Activity Changes

Built-In

To Provide For:

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

Built-Ins Subtotal **\$0**

Net Program **\$33,069**

Direct FTE **0**

	Estimate	FTE
Base	\$2,760,097	0
Program Increase	\$135,600	0
Program Decrease	-\$102,531	0

STATE ADMINISTRATION

BUDGET AUTHORITY BEFORE THE COMMITTEE				
(Dollars in Thousands)				
	FY 2015 Enacted	FY 2016 Enacted	FY 2017 Request	Diff. FY17 Request / FY16 Enacted
Activity Appropriation	2,687,793	2,630,550	2,592,019	-38,531
FTE	0	0	0	0

Introduction

For UI State Administration, the FY 2017 Budget includes \$2,592,019 a decrease of \$38,531,000 from the FY 2016 enacted level of \$2,630,550,000.

The funds requested are sufficient to process, on average, 2,249,000 continued claims per week (referred to as the average weekly insured unemployment or AWIU), and include claims made under the Trade Act of 1974, as amended. During the year, states are expected to collect \$40,600,000,000 in state unemployment taxes and pay an estimated \$32,300,000,000 in Federal and state UI benefits to 6,600,000 beneficiaries, including former Federal military and civilian personnel, recipients of Federal-state EB, and workers adversely affected by foreign trade who may be eligible for benefits under the Trade Act.

The Budget includes \$10,000,000 to continue a high-performance award program to improve state efforts to detect and remedy misclassification of workers as independent contractors. 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. While funding has only been available for FYs 2014 and 2015, data show a spike of 14 percent in the number of identified as misclassified employees from 290,420 in FY 2013 to 332,411 in FY 2015.

The Budget includes \$7,000,000 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. This level of funding will allow the Center to pursue a data hub that states can use to better identify and eliminate improper payments.

The Budget also includes a \$50,000,000 to fund state consortia to modernize their UI tax and benefit systems. Many state IT systems are badly out of date, making it difficult to process claims efficiently, provide good customer service to claimants, and implement changes in federal law, such as the several specifications of the Emergency Unemployment Compensation program enacted during the Great Recession.

STATE ADMINISTRATION

For FY 2017, 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 the 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 bolstering program accountability and facilitating performance improvement nationally. Strategies to meet this objective include:

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

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

- **Payment Timeliness:** 87.0 percent of all state UI intrastate first payments for weeks of full unemployment will be made within 14 to 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 first payments, is a good indicator of overall payment timeliness.

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

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

Program Integrity and the Reduction of Improper Payments:

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

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- 1) Implementation of strategies to address the root causes of improper payments. The Department has developed a comprehensive Improper Payments Strategic plan to address the root causes of improper payments and is aggressively working to implement the strategies outlined in the plan in conjunction with state partners. Activities include the implementation of new performance measures; developing new improper payment prevention tools; enhancing existing tools; intensive monitoring of underperforming states; and targeted technical assistance.
- 2) 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 developing plans to issue grants to states for initiating and/or enhancing their worker misclassification programs. The Budget envisions competitive funding for states to increase capacity to detect misclassification and provides incentive grants to states with significantly improved performance in this area.
- 3) The UI Integrity Center of Excellence. The FY 2017 Budget includes \$7,000,000 for continued support and expansion 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 providing states with sophisticated data analytics tools to rapidly alert them of fraud schemes, supporting ongoing knowledge-sharing among states through the identification and dissemination of integrity practices across the UI program, increasing state staff capacity by developing and providing centralized training on fraud solutions and integrity strategies, identifying model integrity state operations, and providing technical assistance to states support program integrity improvements. New activities in FY 2016 include identifying model integrity state operations, providing on-site technical assistance to support state improvements and developing a secure portal to provide states access to data for cross-match efforts that will prevent and detect improper payments.

The funding increase for the Center in FY 2017 includes expanded support for the development of a secure integrity data hub to provide states access to information for cross-match efforts that will prevent and detect improper payments. The goals of this data hub are to: 1) eliminate the duplication of effort of multiple states attempting to connect to the same databases for purposes of cross-matching and data retrieval, 2) provide states ease of access to a variety of data sources (both public and private) that may otherwise not be available to them; 3) to secure private sector data that currently states may contract for individually by making it available nationally at a reduced cost; and 4) assist states in analyzing data from multiple sources and prioritize investigations through the use of data analytics and predictive

STATE ADMINISTRATION

modeling solutions that are integrated directly into the data hub. While the Integrity Center is currently working to implement a pilot for the data hub and current funding will support establishment of the hub, the FY 2016 level of funding will not support funding for private sector data bases and the development of data analytics capacity within the hub. These activities require additional funding. The additional funding will also accelerate the ability of the Integrity Center to fully implement the data hub as soon as possible. Having a fully functional data hub with this rich data and analytics capacity will greatly improve state's capacity to prevent, detect, and recover improper payments.

Five-Year Budget Activity Component History

<u>Fiscal Year</u>	<u>Funding</u> (Dollars in Thousands)	<u>FTE</u>
2012	\$3,175,142	0
2013	\$2,949,685	0
2014	\$2,791,575	0
2015	\$2,687,793	0
2016	\$2,630,550	0

Funding Mechanism

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

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

FY 2017

For UI State Administration, the Budget includes \$2,592,019,000 a decrease of \$38,531,000 from the FY 2016 enacted level of \$2,630,550,000.

The funds requested are sufficient to process, on average, 2,249,000 continued claims per week (referred to as the average weekly insured unemployment or AWIU), including claims made under the Trade Act of 1974, as amended. During the year, states are expected to collect \$40.6 billion in state unemployment taxes and pay an estimated \$32.3 billion in Federal and state UI benefits to 6.6 million beneficiaries, including former Federal military and civilian personnel,

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recipients of Federal-state EB, and workers adversely affected by foreign trade who may be eligible for benefits under the Trade Act.

The request continues the existing contingency reserve language that provides for additional funds to meet unanticipated UI workloads. This contingency reserve provides \$28,600,000 for each 100,000 increase in the total AWIU set at 2,249,000 in the request and referred to as the AWIU trigger. Because the requested resources are determined to process 2,249,000 continued claims per week on average, setting the trigger above that level will leave the states with insufficient funds if the average continued claims exceed the higher trigger and that will adversely impact improper payments and overall quality of service to claimants and employers. Therefore it is important to set the trigger at the level requested.

The appropriation language allows states up to three years to obligate UI funds if the funds are used for automation activities, competitive grants for improved operations, reemployment services and eligibility assessments, or other improper payment activities – effectively allowing states to obligate FY 2017 funds used for these purposes until September 30, 2019. The appropriation language also allows states up to five years to obligate funds for automation when a consortium of states agencies is engaged in the automation activity to leverage resources to implement a common IT platform across multiple states, and an additional year to expend the funds.

The Budget includes \$10,000,000 to continue a grant program to improve state efforts to detect and remedy misclassification of workers as independent contractors. 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 Budget includes \$50,000,000 to fund grants to state UI agencies for the support of UI IT system modernization efforts to enable more effective administration of the UI program overall. Currently, there is no dedicated funding for states' IT improvements in the UI program. This investment is critically needed to help states address aging infrastructure which will directly impact the states' timeliness and quality performance, and their ability to prevent, detect and recover improper payments resulting in operational efficiencies and innovations. The investment will support state strategies to accelerate the replacement of outdated UI Benefit and Tax systems utilizing a consortia approach that leverages existing consortia products and applications and reduce the cost nationally for modernization of state UI IT systems. This investment promotes cost effective and innovative modernization of UI IT infrastructure that will facilitate leveraging investments, significantly increase efficiencies, and improve program performance and integrity

The Budget also includes \$7,000,000 for continued support and expansion of the UI Integrity Center of Excellence, including supporting an integrated data hub and data analytics capacity to support states in identifying fraud and preventing, detecting, and recovering improper payments. 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*

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List”, and OMB Memorandum M-12-11 by leveraging data analytics and predictive modeling tools to reduce improper payments.

FY 2016

For FY 2016, \$2,630,550,000 was appropriated for UI State Administration. The funds requested are sufficient to process, on average, 2,507,000 continued claims per week (referred to as the average weekly insured unemployment or AWIU), and including claims made under the Trade Act of 1974, as amended. During the year, states are expected to collect \$41.4 billion in state unemployment taxes and pay an estimated \$32.5 billion in Federal and state UI benefits to 6.4 million beneficiaries, including former Federal military and civilian personnel, recipients of Federal-state EB, and workers adversely affected by foreign trade who may be eligible for benefits under the Trade Act. Since 1995, UI administrative funding has been adjusted for inflation only once. These funds will help mitigate the steady erosion in the real value of the State UI administrative grants.

The request continues the existing contingency reserve language that provides for additional funds to meet unanticipated UI workloads. This contingency reserve provides \$28,600,000 for each 100,000 increase in the total AWIU. In addition, the appropriation language allows states up to three years to obligate UI funds if the funds are used for automation activities, competitive grants for improved operations, reemployment services and eligibility assessments, or other improper payment activities – effectively allowing states to obligate FY 2016 funds used for these purposes until September 30, 2018. 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, and an additional year to expend the funds.

The FY 2016 appropriation included \$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.

FY 2015

The FY 2015 Budget appropriated \$2,697,793,000 for state administration. During the year, states collected \$42.2 billion in state unemployment taxes and paid out \$32.5 billion in Federal and state UI benefits to 6.6 million beneficiaries, including former Federal military and civilian personnel, recipients of Federal-state extended benefits, and workers adversely affected by foreign trade who may be eligible for benefits under the Trade Act.

STATE ADMINISTRATION

CHANGES IN FY 2017

(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 -\$38,531

Direct FTE 0

	Estimate	FTE
Base	\$2,630,550	0
Program Increase	\$64,000	0
Program Decrease	-\$102,531	0

REEMPLOYMENT SERVICES AND ELIGIBILITY ASSESSMENTS

BUDGET AUTHORITY BEFORE THE COMMITTEE				
(Dollars in Thousands)				
	FY 2015 Enacted	FY 2016 Enacted	FY 2017 Request	Diff. FY17 Request / FY16 Enacted
Activity Appropriation	80,000	115,000	185,900	70,900
FTE	0	0	0	0

Introduction

The Reemployment and Eligibility Assessment (REA) program, funded since 2005, has been shown to be an effective tool in reducing improper payments and getting claimants back to work more quickly. In FY 2015, when the program was voluntary, the RESEA program was operational in 48 jurisdictions including 46 states, the District of Columbia, and the Virgin Islands. However, only about 16 percent of UI beneficiaries were scheduled for an RESEA or REA in FY 2015. The Administration is working to make the RESEA program mandatory in all states.

Robust reemployment services that help claimants develop and implement individual reemployment 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 and UCX, reduce the duration of UI benefits, and deliver successful employment outcomes.

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.

The RESEA program is based on a successful model established in Nevada in which eligibility assessments were delivered seamlessly with reemployment services. Recent research¹ on that service-delivery model found it to be effective in the following ways:

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

Beginning in 2018, the Budget proposes mandatory funding for RESEA covering the one-third of claimants profiled as most likely to exhaust and all UCX claimants. Authorizing mandatory

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

REEMPLOYMENT SERVICES AND ELIGIBILITY ASSESSMENTS

funding would allow funding for these services to fluctuate each year with the number of UI claimants, so more resources would be available when more workers need them and fewer resources would be available when fewer workers are receiving UI benefits.

Five-Year Budget Activity Component History

<u>Fiscal Year</u>	<u>Funding</u> (Dollars in Thousands)	<u>FTE</u>
2012	\$49,906	0
2013	\$46,793	0
2014	\$80,000	0
2015	\$80,000	0
2016	\$115,000	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 \$155 per claimant served. Under the mandatory program, this factor will be indexed to inflation in the future to reflect increasing costs. State UI agencies will be required to collaborate with the state's Employment Service (ES) agency to develop and implement an integrated program and service delivery model.

FY 2017

In FY 2017, the Department request includes \$185,900,000 for Reemployment Services and Eligibility Assessments (RESEAs). The requested amount of \$185,900,000 is a \$70,900,000 increase over the FY 2016 enacted level, \$35,000,000 of which will be funded through a proposed program integrity cap adjustment. This funding will support transitioning veterans who receive Unemployment Compensation for Ex-Servicemembers (UCX) and approximately one-third of claimants who have been identified as most likely to exhaust their UI benefits. Further, it will support an evaluation coordinated with the Department's Chief Evaluation Officer (CEO) to identify the key factors impeding the reemployment of these UCX claimants. At the level of funding requested:

- 1) RESEA services will be targeted to the top third of profiled claimants most likely to exhaust their regular state UI benefits (1.2 million claimants) and all individuals recently separated from the military and receiving UCX (57,000 claimants). States will be required to provide these services with the appropriated funds and claimants referred to these services will be required to participate.
- 2) The RESEA program will provide integrated reemployment services to UI claimants including: in-person reporting to the American Job Centers, one-on-one reviews eligibility for UI or UCX benefits; provision of labor market and career information to claimants to inform their career choices; support for the development or revision of an individual reemployment plan; orientation to services available through American Job Centers; and provision of self-service and staff-assisted reemployment services, including

REEMPLOYMENT SERVICES AND ELIGIBILITY ASSESSMENTS

skills assessments, career counseling, job matching and referrals, job search assistance workshops, and referrals to training as appropriate.

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 and UCX benefit receipt by 1.4 weeks for claimants participating in the RESEA program and result in benefits savings of approximately \$423,000,000 as a result of the FY 2017 investment. Looking forward, the RESEA proposal will support a more comprehensive approach to reemployment, including strategies to encourage more sophisticated communication between UI and the workforce system aided by technology that will allow both systems to view claimant outcomes on a continuum as they move from assessment, to services (such as job search and resume writing workshops), to job placement.

FY 2016

The FY 2016 enacted level includes \$115,000,000 for RESEA, which was an increase of \$35,000,000 from the resources enacted in the FY 2015 Budget. These funds will support an integrated RESEA program, and states will be required to participate. The funds will provide services for both UCX claimants and regular claimants profiled as most likely to exhaust benefits.

FY 2015

A total of \$80,000,000 was appropriated for services in the FY 2015 Budget for the voluntary RESEA program and 47 states received the funding.

REEMPLOYMENT SERVICES AND ELIGIBILITY ASSESSMENTS

CHANGES IN FY 2017

(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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Equipment	0
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Grants, subsidies, and contributions	0
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Built-Ins Subtotal	\$0
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Net Program	\$35,900
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Direct FTE	0
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	Estimate	FTE
Base	\$115,000	0
Program Increase	\$35,900	0
Program Decrease	\$0	0

NATIONAL ACTIVITIES

BUDGET AUTHORITY BEFORE THE COMMITTEE				
(Dollars in Thousands)				
	FY 2015 Enacted	FY 2016 Enacted	FY 2017 Request	Diff. FY17 Request / FY16 Enacted
Activity Appropriation	12,892	14,547	15,247	700
FTE	0	0	0	0

Introduction

UI National Activities provides funding to support the states collectively in administering their UI programs - in turn helping the Department improve program performance and accountability.

UI National Activities funding provides an avenue for states to apply common technology-based solutions to improve the efficiency and performance of their UI operations through the National Association of State Workforce Agencies' Information Technology Support Center (ITSC).

Five-Year Budget Activity Component History

<u>Fiscal Year</u>	<u>Funding</u> (Dollars in Thousands)	<u>FTE</u>
2012	\$11,266	0
2013	\$10,676	0
2014	\$10,676	0
2015	\$12,892	0
2016	\$14,547	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 efficiently and cost-effectively on a consolidated rather than decentralized basis. Funding for these activities is generally issued through cooperative agreements and contracts.

FY 2017

The Budget includes \$15,247,000 for UI National Activities; an increase of \$700,000 over the FY 2016 enacted level of \$14,547,000. In addition to funding activities which support states collectively, the request will provide \$700,000 to 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. This funding will support the increased cost in contract services for the continued enhancement and maintenance of the State UI reporting application system software used for Federal monitoring of UI program performance and integrity, and reemployment activities of UI claimants by states.

NATIONAL ACTIVITIES

FY 2016

The FY 2016 enacted level was \$14,547,000 for UI National Activities, an increase of \$1,655,000 from the FY 2015 enacted level of \$12,892,000. 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.

FY 2015

A total of \$12,892,000 was appropriated for UI National Activities in FY 2015. In addition to funding activities which support states collectively, the funding supports the IT upgrades and technical assistance activities focused 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.

In FY 2014, ETA embarked on a review and reengineering of its program accountability processes to best ensure the quality and integrity of the UI program, as well as the most effective management at the Federal and state levels. The funding in this priority area was used to procure contract services to support ETA's efforts to reengineer its UI benefits program accountability processes to improve state program performance and integrity. This effort is expected to continue in FY 2016 with final implementation of the reengineered processes in FY 2017. Additionally, funding was used to support increased cost in contract services for the continued maintenance of the State UI reporting application system software and IT infrastructure used for Federal monitoring and oversight of UI program performance and integrity, and reemployment services by states.

NATIONAL ACTIVITIES

CHANGES IN FY 2017

(Dollars in Thousands)

Activity Changes

Built-In

To Provide For:

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

Built-Ins Subtotal **\$0**

Net Program **\$700**

Direct FTE **0**

	Estimate	FTE
Base	\$14,547	0
Program Increase	\$700	0
Program Decrease	\$0	0

EMPLOYMENT SERVICE

BUDGET AUTHORITY BEFORE THE COMMITTEE				
(Dollars in Thousands)				
	FY 2015 Enacted	FY 2016 Enacted	FY 2017 Request	Diff. FY17 Request / FY16 Enacted
Activity Appropriation	684,002	699,818	699,818	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 American Job Center system. The Workforce Innovation and Opportunity Act (WIOA) was signed into law on July 22, 2014; it maintains ES as a core program in the American Job Center system and further integrates ES by introducing new colocation requirements. WIOA also broadens ES activities by requiring ES to provide greater assistance to Unemployment Insurance claimants and granting flexibility for ES staff to provide their customers with increased referrals and application assistance to other training and employment opportunities, including all WIOA services and others such as Pell Grants and GI Bill benefits. Activities within the Employment Service include Employment Service Grants to States and Employment Service National Activities funding to support Technical Assistance and Training activities.

Five-Year Budget Activity History

<u>Fiscal Year</u>	<u>Funding</u> (Dollars in Thousands)	<u>FTE</u>
2012	\$721,755	0
2013	\$683,926	0
2014	\$684,002	0
2015	\$684,002	0
2016	\$699,818	0

EMPLOYMENT SERVICE

DETAILED WORKLOAD AND PERFORMANCE							
		PY 2014 Enacted		PY 2015 Enacted		PY 2016 Enacted	PY 2017 Request
		Target	Result	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-ES-01	Entered Employment Rate/Employment in the 2nd quarter after exit (Employment Service) ¹	54.70%	60.40%	55.00%	TBD	TBD	NA
ETA-ES-03	Six Months Average Earnings/Median Earning in the 2nd quarter after exit (Employment Service) ²	\$14,937	\$14,931	\$15,210	TBD	TBD	NA
	Number of job seeker participants served – All participants (ES)	18,216,786	14,521,898	14,521,898[p]	TBD	14,866,638[p]	14,866,638 [p]
	Cost Per Participant Served in Employment and Training Activities	\$39.96	\$45.74	\$45.74	TBD	\$45.74	\$45.74
ETA-ES-02	Employment Retention Rate/Employment in the 4th quarter after exit (ES) ³	81.10%	82.80%	81.20%	TBD	N/A	NA
	Effectiveness in Serving Employers ⁴	N/A	N/A	N/A	N/A	TBD	TBD

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

¹ Beginning in PY 2016, *Entered Employment Rate* will be discontinued. The new WIOA measure will be calculated based on the percent employed in the 2nd quarter after program exit.

² Beginning in PY 2016, Six Month Average Earnings will no longer be a measure and will be replaced by Median Earnings.

³ Beginning in PY 2016, *Employment Retention Rate* will be discontinued. The new WIOA measure will be calculated based on the percent employed in the 4th quarter after program exit.

⁴ Effectiveness in Serving Employers will be a new WIOA measure.

EMPLOYMENT SERVICE

Workload and Performance Narrative

The main goal of the Employment Service (ES) is to ensure that job seekers and employers have universal access to basic labor exchange services, but states can also provide a broader range of careers services such as case management, assessments, and counseling, when appropriate. Since FY 2010, the Department has been providing additional guidance and technical assistance to states on how to improve seamless service integration with other Department programs such as WIOA services (including training), Unemployment Insurance and the full range of 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. Even as we move into recovery the demand remains high. Resources have thus shifted to: building the capacity of the system by increasing training 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 and supply needed workers to businesses. Accordingly, the Department has measured performance for the ES based on three interrelated outcome measures: the entered employment rate, six months average earnings, and the employment retention rate. Beginning in PY 2016, the common measures are revised based on WIOA authorization for six key measures that are consistent across populations served. In the context of the ES program, there are four applicable measures including: 1) employment in the second quarter after exit; 2) employment in the fourth quarter after exit; 3) median earnings in the second quarter after exit; and 4) effectiveness in serving employers. Of these measures, the first three are reported as part of the budget process. Of these measures, the first three are reported as part of the budget process. The fourth measure is new and has never been implemented in Department programs and, therefore, will not be included in the budget at this time. The measures reported as part of the budget process do not include targets as the timeframes and definitions for these measures are different from the current measures, therefore baseline data will need to be collected in FY 2016 and targets will need to be established in subsequent years.

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

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

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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.

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BUDGET ACTIVITY BY OBJECT CLASS					
(Dollars in Thousands)					
		FY 2015 Enacted	FY 2016 Enacted	FY 2017 Request	Diff. FY17 Request / FY16 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	699,818	699,818	0
	Total	684,002	699,818	699,818	0

EMPLOYMENT SERVICE

CHANGES IN FY 2017

(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	\$699,818	0
Program Increase	\$0	0
Program Decrease	\$0	0

GRANTS TO STATES

BUDGET AUTHORITY BEFORE THE COMMITTEE				
(Dollars in Thousands)				
	FY 2015 Enacted	FY 2016 Enacted	FY 2017 Request	Diff. FY17 Request / FY16 Enacted
Activity Appropriation	664,184	680,000	680,000	0
FTE	0	0	0	0

Introduction

The Employment Service (ES) Grants to States play an important role in providing opportunities for workers to obtain good jobs available now by effectively responding to employer needs for skilled workers. In PY 2014, over 14 million people used the employment services provided by ES, which help individuals to obtain jobs and build a pathway to the middle class. While ES services tend to be lower cost and shorter in duration than other workforce services, ES services are critical to many unemployed workers, including Veterans, individuals with disabilities, and others.

WIOA advances these job-driven services to job seekers and employers, increasing the quality and accessibility of services that job seekers and employers receive at their local American Job Centers. For example, it requires the ES to co-locate at American Job Centers; thus, UI claimants will have greater access to available employment and training services, accelerating their return to work. Job seekers and employers also will benefit from the regularly-required state certification of American Job Centers, which include ES services, to foster continuous improvement, ready access to services including virtual services; and integrated service delivery.

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

- Increasing employment opportunities for all workers by reaching out to businesses, especially small-and medium-sized businesses, to better identify local and regional hiring needs and connect businesses and other employers to the skilled workers they need.
- Improving the quality of ES services that job seekers can expect through American Job Centers, including assessments, provision of timely labor market information, career counseling and referrals to other training and education opportunities and support services.
- Expanding access to ES services with a special emphasis on career counseling and referral to American Job Center partner services, especially for those who have not benefitted from the economic recovery, including low-skilled workers, the long-term unemployed and discouraged workers.
- Accelerating reemployment for UI claimants through enhanced career services, assessments, and referrals to an array of training and education services

GRANTS TO STATES

- Improving the transitions of separating service members and eligible spouses and reducing unemployment periods through similar high-quality reemployment services and strong connections with the Jobs for Veterans State Grants program.
- Capitalizing on efficiencies attained by housing multiple programs at American Job Centers that make it easier to offer seamless services and the best value in terms of positive outcomes for job seekers and business customers.

Evaluations of a wide range of active labor market programs across a variety of countries have found that job search assistance programs, like ES, are the most cost-effective employment and training service.¹ By putting equal emphases on serving job seekers 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 otherwise not be able to afford such as hiring events.

The ES and the labor exchange services it provides are indispensable in assisting millions of job seekers find new or better jobs during this period of economic recovery. During PY 2014, the ES provided 14,521,898 individuals with access to labor exchange services (both virtually and through the American Job Center network) and helped 6,484,102 individuals enter employment, including 3,155,722 unemployment insurance recipients, and 443,799 veterans.

Five-Year Budget Activity Component History

<u>Fiscal Year</u>	<u>Funding</u> (Dollars in Thousands)	<u>FTE</u>
2012	\$700,842	0
2013	\$664,184	0
2014	\$664,184	0
2015	\$664,184	0
2016	\$680,000	0

FY 2017

In FY 2017, the Department is requesting \$680,000,000 to operate the ES in all 50 states and three territories. This is the same level enacted in the FY 2016 budget. This amount of \$680,000,000 will be awarded under the regular formula allotment to states supporting services to a projected 14,866,638 participants.

As described above, the ES serves as the foundation of the public workforce system by providing universal access to labor exchange and other career services, with over 14 million individuals receiving services in 2014 alone. In most instances, the ES serves as an individual's first contact

¹ 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>

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with the public workforce system, and individuals rely on the ES staff to provide career guidance on and referrals to training and education services. WIOA strengthens the role of ES as a central hub for individuals navigating Federal, state, and local employment, training, education and other supportive services. However, declining funding of the ES has resulted in a greater reliance on self-service activities and virtual tools. In PY 2014, 53.6 percent of ES participants received staff-assisted services.

The FY 2017 budget request continues the FY 2016 efforts to expand the availability of intensive, staff-assisted counseling and other reemployment services to displaced workers. These staff-assisted services will include the use of workforce and labor market information to guide workers in their job search and training decision, as well as other assessment tools and resources to assist individuals identify occupations in in-demand industries.

The current cost per participant for the ES program is \$45.74. This rate includes individuals receiving self-service through virtual tools and those receiving more costly staff-assisted services.

FY 2016

In FY 2016, the Department received \$680,000,000 to operate the ES in all 50 states and three territories. This is an increase of \$15,816,000 from the level enacted in FY 2015. This amount of \$680,000,000 is awarded under the regular formula allotments to state supporting services to a projected 14,866,638 individuals.

The current cost per participant for the ES program is \$45.74. This rate includes individuals receiving self-service through virtual tools and those receiving more costly staff-assisted services.

FY 2015

The FY 2015 enacted budget for Employment Service Grants to States was \$664,184,000. The Department continued to provide job seekers, including the underemployed the services they need to find new jobs. With these funds, the Department operated 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 supported the delivery of labor exchanges and other reemployment services to approximately 14,520,857 participants.

The ES estimates it will serve over 14 million participants 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 sought to:

Enhance the coordination of services to recently returning veterans. To meet the needs of returning veterans, the Department used a coordinated system in which Disabled Veteran

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Outreach Program staff, Local Veteran Employment Representatives, ES and WIOA services were 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 continued 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 encouraged 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 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 WIOA Dislocated Worker program continued 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.

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CHANGES IN FY 2017

(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	\$680,000	0
Program Increase	\$0	0
Program Decrease	\$0	0

EMPLOYMENT SERVICE NATIONAL ACTIVITIES - WOTC

BUDGET AUTHORITY BEFORE THE COMMITTEE				
(Dollars in Thousands)				
	FY 2015 Enacted	FY 2016 Enacted	FY 2017 Request	Diff. FY17 Request / FY16 Enacted
Activity Appropriation	18,485	18,485	18,485	0
FTE	0	0	0	0

Introduction

The Work Opportunity Tax Credit (WOTC) program, which is the successor of the Targeted Jobs Tax Credit program, was created by the Small Business Job Protection Act of 1996 (Pub. L.104-188). 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 recipients, Supplemental Nutrition Assistance Program (food stamps) recipients, designated community residents, summer youth employees, vocational rehabilitation referrals, ex-felons, Supplemental Security Income recipients, and veterans.

WOTC helps disadvantaged workers gain employment in good jobs by providing businesses with over \$1,000,000,000 in tax credits each year for hiring individuals from certain targeted groups. The program enables the targeted individuals to gradually move from economic dependency to self-sufficiency as they earn a steady income and become contributing taxpayers. The participating employers are compensated by being able to reduce their Federal income tax liability. WOTC joins other workforce programs that help incentivize workplace diversity and facilitate access to good jobs for American workers.

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

Five-Year Program Category History

<u>Fiscal Year</u>	<u>Funding</u> (Dollars in Thousands)	<u>FTE</u>
2012	\$18,486	0
2013	\$18,409	0
2014	\$18,485	0
2015	\$18,485	0
2016	\$18,485	0

EMPLOYMENT SERVICE NATIONAL ACTIVITIES - WOTC

Funding Mechanism

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

FY 2017

To support states' processing of certification requests, the Department requests \$18,485,000 for FY 2017 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 2016

To support states' processing of certification requests, the Department received \$18,485,000 for FY 2016 to operate the WOTC program.

In December 2015, Congress reauthorized WOTC and created a new target group for long-term unemployed individuals. In FY 2016, the Department will be issuing guidance to SWAs on transitioning from hiatus, when SWAs could review but not issue certifications, to active issuance of certifications, and on implementing the new target group.

Also during FY 2016, states will focus on processing WOTC applications received previously from employers for hires made before and during the hiatus. 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 2015, over 2,000,000 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

EMPLOYMENT SERVICE NATIONAL ACTIVITIES - WOTC

alternative verification procedures that might facilitate more efficient processing of WOTC applications.

FY 2015

For FY 2015, the Department received \$18,485,000 to operate the program. These funds were allocated to SWAs to support processing WOTC applications submitted by employers.

EMPLOYMENT SERVICE NATIONAL ACTIVITIES - WOTC

CHANGES IN FY 2017

(Dollars in Thousands)

Activity Changes

Built-In

To Provide For:

Costs of pay adjustments	\$0
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Grants, subsidies, and contributions	0
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Investment and Loans	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	\$18,485	
Program Increase	\$0	
Program Decrease	\$0	

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

BUDGET AUTHORITY BEFORE THE COMMITTEE				
(Dollars in Thousands)				
	FY 2015 Enacted	FY 2016 Enacted	FY 2017 Request	Diff. FY17 Request / FY16 Enacted
Activity Appropriation	1,333	1,333	1,333	0
FTE	0	0	0	0

Introduction

The Employment Service National Activities help the public workforce system achieve the Department’s goals of preparing workers for good jobs and ensuring workers have the skills and knowledge that prepare them to succeed in a knowledge-based economy. The appropriation provides funding to support technical assistance 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 levels. Under the current laws, regulations, and Federal policy guidance, states have a great deal of flexibility in program design and service delivery. The Department helps inform good program design and service delivery through the provision of technical assistance.

The requested funding for technical assistance will be focused on supporting the Department’s efforts to support continuous improvement to create a more integrated and effective American Job Center delivery system through two main strategies:

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

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

EMPLOYMENT SERVICE NATIONAL ACTIVITIES - TECHNICAL ASSISTANCE AND TRAINING

Five-Year Program Category History

<u>Fiscal Year</u>	<u>Funding</u> (Dollars in Thousands)	<u>FTE</u>
2012	\$2,427	0
2013	\$1,333	0
2014	\$1,333	0
2015	\$1,333	0
2016	\$1,333	0

Funding Mechanism

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

FY 2017

The Department requests \$1,333,000 for employment service technical assistance activities in FY 2017. Resources will be used to support online and in-person assistance for states to improve services to business customers, and increasing employment opportunities for all populations. Technical assistance will be delivered in-person and online and focused on strategies that research indicates are promising or proven.

FY 2016

The Department received \$1,333,000 for employment service technical assistance activities in Fiscal Year (FY) 2016. Resources are 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. Technical assistance will be delivered in-person and online and focused on strategies that research indicates are promising or proven.

FY 2015

The Department received \$1,333,000 for employment service technical assistance activities in FY 2015. Resources were used to coach states in implementing quality labor exchange services for targeted populations, and on services for businesses including effective use of tax credits.

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

CHANGES IN FY 2017
(Dollars in Thousands)

Activity Changes

Built-In

To Provide For:

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	\$1,333	
Program Increase	\$0	
Program Decrease	\$0	

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BUDGET AUTHORITY BEFORE THE COMMITTEE				
(Dollars in Thousands)				
	FY 2015 Enacted	FY 2016 Enacted	FY 2017 Request	Diff. FY17 Request / FY16 Enacted
Activity Appropriation	62,310	62,310	62,948	638
FTE	165	182	182	0

Note: 2015 reflects actual FTE

Introduction

The Office of Foreign Labor Certification of the Employment and Training Administration supports economic growth by determining, on a case-by-case basis, whether the admission of foreign workers into the United States will adversely affect the job opportunities, wages, and working conditions of American workers. The Immigration and Nationality Act (INA) assigns certain responsibilities to the Secretary of Labor (Secretary) for employment-based immigration programs that require a labor certification. These statutory responsibilities include determining whether there are able, willing, and qualified U.S. workers available for the job and whether there will be any adverse impact on similarly-employed U.S. workers should a labor certification be granted. The Secretary has delegated the non-enforcement responsibilities of these labor certification programs to the Employment and Training Administration’s Office of Foreign Labor Certification (OFLC). Accordingly, statutory and regulatory provisions of the labor certification programs administered by OFLC require all employers seeking to hire either permanent or temporary foreign labor to apply to the Secretary for a labor certification.

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

OFLC is comprised of a National Office and three National Processing Centers (NPCs). The OFLC National Office is responsible for policy and regulatory activities, program management, administration and finance, information technology, and other management-related activities. The OFLC administers its program responsibilities through three National Processing Centers (NPCs): one in Chicago that currently adjudicates all temporary nonimmigrant applications; one in Atlanta that currently adjudicates all immigrant PERM applications; and one in Washington, D.C. that currently provides prevailing wage determinations to employers considering whether or not to hire foreign workers on a temporary or permanent basis.

Foreign labor certification programs support the Department’s Strategic Goal 3: *Promote fair and high quality work-life environments* and Strategic Objective 3.3: *Secure Wages and Overtime* by protecting the wages and working conditions of both American workers and foreign nationals working in the United States. Following labor certification and the entrance of immigrant or nonimmigrant workers into the United States, the Department’s Wage and Hour

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Division and Office of the Solicitor of Labor have jurisdiction to enforce the terms and conditions of employment 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>
2012	\$65,393	181
2013	\$61,973	181
2014	\$61,973	188
2015	\$62,310	177
2016	\$62,310	182

Funding Mechanism

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

In addition to Congressional appropriations, OFLC receives five percent of the revenue from the employer-funded H-1B application processing fee collected by the Department of Homeland Security. This five percent supports H-1B and PERM application processing activities and is separate from the H-1B funding allocated to the Department for U.S. job-training programs.

Annual OFLC application volumes were 84 percent higher in FY 2015 than in FY 2010. Over the same period, the appropriations used to process these applications decreased by nine percent. This disparity has created strains in the processing system that have resulted in application backlogs, particularly in the permanent employment visa program and the prevailing wage determination process. These backlogs delay the processing of applications, affect the quality of application review, and thus impact the hiring of needed workers and the expansion of affected businesses. In order to improve the speed and quality of application processing, the Budget continues to seek authorization for the Department to expand OFLC's current H-1B fee-based funding authority to employer foreign labor certification applications filed under the Permanent and H-2B programs, including possible expedited processing fees. The Department also seeks authority to adjust the amount and retain the fees currently deposited in the U.S. Treasury for applications filed under the H-2A temporary labor certification program. These fees will further offset Federal costs for administering the OFLC programs and, once fully implemented, could eliminate the need for appropriations for these purposes.

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The enactment of a fee-based funding structure will address the issues facing OFLC regarding the speed and quality of processing applications. In addition, a fee structure is market-based and economically efficient because the resources available for the program will be determined by the demand for its services. If demand is high, then resources will be available to process the additional applications in a timely and efficient manner. If demand is low, resources beyond the program's needs would not be available.

It is also appropriate that the employers who directly benefit from the processing of these applications fund the processing activities. The OFLC's current appropriations are funded from taxes collected under the Federal Unemployment Tax Act - which are paid by millions of employers, the vast majority of whom do not apply for foreign labor certifications. Fees charged directly to the programs' users will be more equitable and better targeted.

There is also ample precedent for such application fees. As referenced above, the Department of Labor currently uses five percent of the proceeds from the H-1B program to process labor certifications. There are no applications backlogs in the H-1B program despite a 76 percent increase in applications from FY 2010 to FY 2015. In addition, the Department of Labor already charges a processing fee in the H-2A temporary agricultural worker program, but under current law does not have the authority to retain those fees for processing activities. Other Federal agencies that perform similar immigration-related services are already substantially or entirely funded from user fee revenue. For example, the U.S. Citizenship and Immigration Service (USCIS) is authorized by the same legislation as the OFLC (the Immigration and Nationality Act), and administers the post-labor certification process in the same labor certification programs administered by OFLC. USCIS has been funded almost entirely by application fees since 1968. The enforcement and fraud-prevention activities for the OFLC programs performed by the Department's Wage and Hour Division have also been fee-funded since 2004.

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DETAILED WORKLOAD AND PERFORMANCE				
	FY 2015 Enacted		FY 2016 Enacted	FY 2017 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	137,000	147,545	153,900	134,900
PERM New Applications Filed	83,300	87,644	95,000	102,900
PERM Applications Processed	80,000	89,151	121,900	141,600
PERM Applications Remaining	56,700	64,471	37,600	23,400
ETA-FLC-01 Average Number of Days to Resolve PERM Applications NOT Subject to Integrity Review	200	195	225	300
ETA-FLC-02 Average Number of Days to Resolve PERM Applications Subject to Integrity Review	500	439	350	225
H-1B New Applications Filed	579,600	595,046	688,100	795,700
H-1B Applications Processed	601,900	618,810	711,600	818,200
H-1B Applications Remaining	6,500	5,518	6,600	7,900
ETA-FLC-03 Percent of Employer Applications for H-1B Resolved in 7 Business Days	100.0%	100.0%	100.0%	100.0%
H-2A New Applications Filed	7,600	7,558	8,400	9,400
H-2A Applications Processed	7,700	7,568	8,400	9,400
H-2A Applications Remaining	200	180	300	300

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DETAILED WORKLOAD AND PERFORMANCE					
		FY 2015 Enacted		FY 2016 Enacted	FY 2017 Request
		Target	Result	Target	Target
ETA-FLC-04	Percent of Complete H-2A Employer Applications Resolved within 30 Days Before the Date of Need	95.00% [r]	97.30%	95.00%	95.00%
	H-2B New Applications Filed	6,300	6,759	7,900	9,200
	H-2B Applications Processed	7,000	6,521	7,500	8,700
	H-2B Applications Remaining	200	341	300	300
ETA-FLC-05	Percent of H-2B Employer Applications Resolved in 30 Days	90.00%	TBD	[base]	[base]

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

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Workload and Performance Summary

The Department experienced a 20 percentage increase in overall OFLC application levels from FY 2014 to FY 2015, continuing a trend that has seen an 84 percent increase since FY 2010. Recent filing data suggests a further increase in application volumes in FY 2016 and 2017. As workload increases in anticipation of a robust economy in FY 2016-2017, OFLC will implement high-priority strategies designed to reduce the PERM backlog.

The number of active PERM applications remaining in process decreased from FY 2014 to FY 2015 due to the success of OFLC's FY 2015 PERM backlog reduction initiative. The decline in the PERM backlog is expected to continue in FYs 2016 and 2017 due to OFLC's sustained efforts to reduce the backlog and the availability of an additional \$13,000,000 in resources for that period targeted to backlog reduction that was made available in the FY 2016 appropriations act.

For the H-2B Program, until OFLC receives a larger sampling of determined H-2B applications due to the new regulations published April 29, 2015, the performance measures and projections may require future adjustments. In the H-2A Program, OFLC will continue to implement the timeliness measure to resolve all employer H-2A complete applications meeting the criteria for certification by 30 calendar days from the date of need.

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

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BUDGET ACTIVITY BY OBJECT CLASS					
(Dollars in Thousands)					
		FY 2015 Enacted	FY 2016 Enacted	FY 2017 Request	Diff. FY17 Request / FY16 Enacted
11.1	Full-time permanent	16,891	17,095	17,339	244
11.3	Other than full-time permanent	0	0	0	0
11.5	Other personnel compensation	185	180	180	0
11.9	Total personnel compensation	17,076	17,275	17,519	244
12.1	Civilian personnel benefits	5,236	5,336	5,336	0
13.0	Benefits for former personnel	2	2	2	0
21.0	Travel and transportation of persons	50	85	85	0
22.0	Transportation of things	0	0	0	0
23.1	Rental payments to GSA	2,355	2,110	1,997	-113
23.2	Rental payments to others	0	0	0	0
23.3	Communications, utilities, and miscellaneous charges	369	335	335	0
24.0	Printing and reproduction	5	5	5	0
25.1	Advisory and assistance services	10,956	12,852	13,359	507
25.2	Other services from non-Federal sources	314	373	373	0
25.3	Other goods and services from Federal sources 1/	5,896	5,772	5,772	0
25.4	Operation and maintenance of facilities	171	0	0	0
25.5	Research and development contracts	0	0	0	0
25.7	Operation and maintenance of equipment	4,873	3,473	3,473	0
26.0	Supplies and materials	214	150	150	0
31.0	Equipment	464	25	25	0
41.0	Grants, subsidies, and contributions	14,282	14,282	14,282	0
42.0	Insurance claims and indemnities	47	235	235	0
	Total	62,310	62,310	62,948	638
	1/Other goods and services from Federal sources				
	Working Capital Fund	5,330	5,330	5,330	0
	DHS Services	152	122	122	0
	Census Services	414	320	320	0

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CHANGES IN FY 2017

(Dollars in Thousands)

Activity Changes

Built-In

To Provide For:

Costs of pay adjustments	\$422
Personnel benefits	0
Two days less of Pay	-178
Benefits for former personnel	0
Travel and transportation of persons	0
Transportation of things	0
Rental payments to GSA	-113
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 **\$131**

Net Program **\$507**

Direct FTE **0**

	Estimate	FTE
Base	\$62,441	182
Program Increase	\$507	0
Program Decrease	\$0	0

FEDERAL ADMINISTRATION

BUDGET AUTHORITY BEFORE THE COMMITTEE				
(Dollars in Thousands)				
	FY 2015 Enacted	FY 2016 Enacted	FY 2017 Request	Diff. FY17 Request / FY16 Enacted
Activity Appropriation	48,028	48,028	48,666	638
FTE	165	182	182	0

Introduction

The Federal Administration appropriation funds most of the administrative costs of the immigration programs overseen by the Office of Foreign Labor Certification (OFLC). The H-1B Specialty Occupations Program is the exception, as it is supported with revenue derived from employer-paid fees. OFLC administrative costs include the Federal and contractor staff utilized to process employer-filed applications, the information technology (IT) systems required to process applications across multiple temporary and permanent programs, rent, supplies, equipment, and agency indirect costs.

Program Staff Support and Staff Charging

The OFLC's administrative funds are also used to finance its parent agency Employment and Training Administration (ETA) mission support activities that provide critical business functions that allow OFLC to operate. ETA provides essential support for human resources, financial and administrative management, and grants and contract management. The OFLC's administrative funds are also used to finance the Department's Office of Chief Information Officer to support ETA's IT network and infrastructure.

Five-Year Budget Activity Component History

<u>Fiscal Year</u>	<u>Funding</u> (Dollars in Thousands)	<u>FTE</u>
2012	\$50,323	181
2013	\$47,691	181
2014	\$47,691	188
2015	\$48,028	165
2016	\$48,028	182

FY 2017

In FY 2017, the Department requests \$48,666,000 and 182 FTE for the Federal Administration of the Foreign Labor Certification programs. These resources will support the operation, management, and oversight of the OFLC. In addition, OFLC is authorized to utilize up to \$13,000,000 of H-1B training funds in FYs 2016 and 2017 to further reduce the backlog of unadjudicated Permanent Labor Certification (PERM) applications.

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OFLC has experienced a dramatic rise in application volumes in recent years as the U.S. economy has improved. Application levels increased by 84 percent from FY 2010 to FY 2015 – a trend that is expected to continue in FYs 2016 and 2017. In FY 2017, the Department is projected to receive 102,900 PERM applications, 795,700 H-1B applications, 9,400 H-2A applications, 9,200 H-2B applications, and 167,000 Prevailing Wage determinations – a 32 percent increase from the total application volume received in FY 2015. The Department will continue to implement its internal operating strategy of aligning funding, facilities, staffing, and technological resources to provide timely and high-quality adjudication services in FY 2017.

FY 2016

The enacted FY 2016 budget for OFLC Federal Administration is \$48,028,000 and 182 FTE. OFLC is additionally authorized to utilize up to \$13,000,000 of H-1B training funds in FYs 2016 and 2017 to further reduce the backlog of Permanent Labor Certification (PERM) applications. OFLC anticipates that the transferred H1B funds will enable the PERM backlog to be reduced by approximately 16,000 cases by the end of FY 2017.

OFLC continues to seek methods and strategies designed to maximize effective results in the midst of sharply rising application volumes. In FY 2016, the Department is projected to receive 102,900 PERM applications, 795,700 H-1B applications, 9,400 H-2A application, 9,200 H-2B applications, and 158,800 Prevailing Wage determinations – a 15 percent increase from the total application volume received in FY 2015.

FY 2015

In FY 2015, the enacted budget for OFLC Federal Administration was \$48,028,000 and 172 FTE. The OFLC focused these resources on meeting the processing times mandated by statute and regulation in the temporary nonimmigrant programs while attempting to begin to address the queue of backlogged cases in the PERM program. Application and processing volumes continued to increase dramatically in FY 2015 – as OFLC set all-time records in the number of applications both received and processed in the PERM, H1B, and Prevailing Wage Determination programs. Overall application volumes increased by 20 percent from FY 2014 and have grown by 84 percent since FY 2010. Despite the steep increase in application volumes, OFLC decreased the average processing time for both unaudited and audited PERM applications in FY 2015. In total, OFLC processed 93,000 PERM applications, 763,900 H-1B applications, 9,500 H-2A application, 8,500 H-2B applications, and 148,800 Prevailing Wage determinations in FY 2015.

On April 29, 2015, the Department, in collaboration with the Department of Homeland Security, jointly published new regulations for the H-2B Temporary Non-agricultural Labor Certification Program in FY 2015. These regulations strengthen protections for U.S. workers, making sure that they have a fair shot at finding and applying for available jobs – while at the same time ensuring that employers can access foreign workers when U.S. workers are not available. The new regulations expand the recruitment of U.S. workers, including more real-time recruitment efforts, ensuring that available jobs are offered to former U.S. employees first, and establishing a national electronic job registry. The new rules also strengthen worker protections with respect to

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the wages, working conditions, and benefits offered to the H-2B and U.S. workers covered by these regulations. In addition, the updated regulations establish the prevailing wage methodology for the H-2B program, reinstating the use of employer-provided surveys to set the prevailing wage in certain situations. The Departments intend these rules to support our nation's businesses and workers by bringing certainty, stability, and continuity to the H-2B program. With the enactment of the FY 2016 Consolidated Appropriations Act (P.L. 114-113) on December 18, 2015, further changes in the H-2B labor certification process were mandated by Congress.

In FY 2015, the Department also developed a new regulation governing the Temporary Agricultural Employment of H-2A Foreign Workers in the Herding or Production of Livestock on the Range (H-2A Herder Final Rule – published October 2015). The Final Rule amended current regulations to benefit both employers and workers by streamlining the application process for all range-herding jobs, setting stronger minimum wage and worker protections, and establishing measures to prevent adverse effects on U.S. workers.

The nature of range-herding occupations — on call 24/7 in remote locations — and the scarcity of U.S. workers in these professions had made setting an appropriate minimum wage difficult, resulting in wage stagnation for nearly 20 years. The Final Rule addressed this problem by requiring employers to pay a wage that equals or exceeds the highest of an established monthly pay rate, a collective bargaining agreement wage, or an applicable minimum wage set by court or law. The Final Rule also established specific standards for the housing used by range workers, such as circumstances where heat must be provided. The rule also requires employers to provide adequate food and a minimum of 4.5 gallons per day of potable water to range workers.

FEDERAL ADMINISTRATION

BUDGET ACTIVITY COMPONENT BY OBJECT CLASS					
(Dollars in Thousands)					
		FY 2015 Enacted	FY 2016 Enacted	FY 2017 Request	Diff. FY17 Request / FY16 Enacted
11.1	Full-time permanent	16,891	17,095	17,339	244
11.3	Other than full-time permanent	0	0	0	0
11.5	Other personnel compensation	185	180	180	0
11.9	Total personnel compensation	17,076	17,275	17,519	244
12.1	Civilian personnel benefits	5,236	5,336	5,336	0
13.0	Benefits for former personnel	2	2	2	0
21.0	Travel and transportation of persons	50	85	85	0
22.0	Transportation of things	0	0	0	0
23.1	Rental payments to GSA	2,355	2,110	1,997	-113
23.2	Rental payments to others	0	0	0	0
23.3	Communications, utilities, and miscellaneous charges	369	335	335	0
24.0	Printing and reproduction	5	5	5	0
25.1	Advisory and assistance services	10,956	12,852	13,359	507
25.2	Other services from non-Federal sources	314	373	373	0
25.3	Other goods and services from Federal sources 1/	5,896	5,772	5,722	0
25.4	Operation and maintenance of facilities	171	0	0	0
25.5	Research and development contracts	0	0	0	0
25.7	Operation and maintenance of equipment	4,873	3,473	3,473	0
26.0	Supplies and materials	214	150	150	0
31.0	Equipment	464	25	25	0
41.0	Grants, subsidies, and contributions	0	0	0	0
42.0	Insurance claims and indemnities	47	235	235	0
	Total	48,028	48,028	48,666	638
	1/Other goods and services from Federal sources				
	Working Capital Fund	5,330	5,330	5,330	0
	DHS Services	152	122	122	0
	Census Services	414	320	320	0

FEDERAL ADMINISTRATION

CHANGES IN FY 2017

(Dollars in Thousands)

Activity Changes

Built-In

To Provide For:

Costs of pay adjustments	\$422
Personnel benefits	0
Two days less of Pay	-178
Benefits for former personnel	0
Travel and transportation of persons	0
Transportation of things	0
Rental payments to GSA	-113
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 **\$131**

Net Program **\$507**

Direct FTE **0**

	Estimate	FTE
Base	\$48,159	182
Program Increase	\$507	0
Program Decrease	\$0	0

STATE GRANTS

BUDGET AUTHORITY BEFORE THE COMMITTEE				
(Dollars in Thousands)				
	FY 2015 Enacted	FY 2016 Enacted	FY 2017 Request	Diff. FY17 Request / FY16 Enacted
Activity Appropriation	14,282	14,282	14,282	0
FTE	0	0	0	0

Introduction

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

In accordance with the requirements of their foreign labor certification grant agreements, SWAs submit annual work plans to the Department’s Employment and Training Administration, Office of Foreign Labor Certification (OFLC) to establish continued eligibility for the grant. These work plans describe the specific activities and workload expectations of each SWA in the upcoming year.

Five-Year Budget Activity Component History

<u>Fiscal Year</u>	<u>Funding</u> (Dollars in Thousands)	<u>FTE</u>
2012	\$15,070	0
2013	\$14,282	0
2014	\$14,282	0
2015	\$14,282	0
2016	\$14,282	0

FY 2017

The Department requests \$14,282,000 for state foreign labor certification activities in FY 2017, the same amount enacted in FYs 2014, 2015, and 2016. In FY 2017, SWAs are expected to continue to conduct housing inspections for temporary agricultural workers employed under H-2A visas, post job orders to recruit American workers for temporary and permanent positions, and direct prevailing practice and wage surveys. States’ responsibilities in support of the H-2B temporary non-agricultural visa program have increased under the new H-2B regulations issued in FY 2015 – which affect other programmatic areas.

STATE GRANTS

FY 2016

The FY 2016 enacted budget for state foreign labor certification activities is \$14,282,000. SWAs are expected to continue conducting housing inspections for temporary agricultural workers employed under H-2A visas, posting job orders to recruit American workers for temporary and permanent positions, and performing prevailing practice and wage surveys. States' H-2B responsibilities increased under new regulations issued in FY 2015, potentially impacting state responsibilities in other areas. For example, the OFLC expects that the H-2A Temporary Agricultural Program may experience increased state-level processing delays in 2016 due to states' increased H-2B responsibilities.

FY 2015

The FY 2015 enacted budget was \$14,282,000 for state foreign labor certification activities. The OFLC focused state grant resources on meeting the processing times mandated by statute and regulation in the H-2A and H-2B temporary nonimmigrant programs. In FY 2015, states conducted 5,784 housing inspections for temporary agricultural workers, posted 13,195 employer job orders, and performed 3,223 prevailing wage and practice surveys in support of the foreign labor certification program.

STATE GRANTS

BUDGET ACTIVITY COMPONENT BY OBJECT CLASS					
(Dollars in Thousands)					
		FY 2015 Enacted	FY 2016 Enacted	FY 2017 Request	Diff. FY17 Request / FY16 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 2017

(Dollars in Thousands)

Activity Changes

Built-In

To Provide For:

Costs of pay adjustments \$0

Two days less of Pay 0

Grants, subsidies, and contributions 0

Built-Ins Subtotal \$0

Net Program \$0

Direct FTE 0

	Estimate	FTE
Base	\$14,282	0
Program Increase	\$0	0
Program Decrease	\$0	0

WORKFORCE INFORMATION/ELECTRONIC TOOLS/SYSTEM BUILDING

BUDGET AUTHORITY BEFORE THE COMMITTEE				
(Dollars in Thousands)				
	FY 2015 Enacted	FY 2016 Enacted	FY 2017 Request	Diff. FY17 Request / FY16 Enacted
Activity Appropriation	60,153	67,653	75,153	7,500
FTE	0	0	0	0

Introduction

Activities funded through the Workforce Information/Electronic Tools/System Building line item help ensure a skilled workforce for industries that provide good jobs by assisting veterans, youth, working-age individuals, businesses, government entities, and non-profit organizations. The workforce information programs and online tools assist individuals' in making 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.

The Workforce Innovation and Opportunity Act (WIOA) which was signed into law on July 22, 2014, requires colocation of employment service offices with American Job Center and allows the U.S. Secretary of Labor, in consultation with the states, to assist states in the development of electronic tools that may be used to improve access to workforce information for individuals in the one-stop career system. These funds support both national and state electronic tools used to improve access to workforce information and tools for individuals in the American Job Center system. These funds also support system capacity building efforts which allow the American Job Center network to respond to the needs of the job seekers and businesses in the current economy, including the Disability Employment Initiative.

The American Job Center network continues to face high demand for employment and training services to speed re-employment for dislocated workers, veterans transitioning to civilian employment, and employment for youth and other new labor market entrants. 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 still well above the pre-recession level, growing from 1,050,000 in 2006 to nearly 1,574,000 in 2014 (Table 1). The number of American Job Centers fell from more than 2,900 in 2011 to just 2,480 in late 2015 so remaining centers are assuming a greater workload. Virtual services provided through the electronic tools greatly expand the reach of the American Job Center network and staff, and also enable self-service use by customers around the clock.

WORKFORCE INFORMATION/ELECTRONIC TOOLS/SYSTEM BUILDING

Table 1. The average monthly number of unemployed job seekers who use public employment agencies remains well above 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 2014
2014	18.3%	1,574	50%
2013	19.4%	2,002	
2012	19.3%	2,185	
2011	21.0%	2,626	
2010	22.2%	2,973	
2009	22.6%	2,851	
2008	18.9%	1,465	
2007	17.7%	1,080	
2006	17.3%	1,052	

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

One of the Administration's top priorities is to ensure that every individual who interacts with the workforce system receives high-quality, well-targeted services. The Department is proposing to launch customer service tools, including standing up a technology platform that all 2,500 American Job Centers can use to report on customer service and developing a mechanism that will allow job seekers to quickly view customer satisfaction ratings for the job centers in their area.

In addition to supplementing and strengthening the services available in the American Job Center network, this budget item 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. Under WIOA, workforce information forms the basis for strategic planning and informs career planning.

WORKFORCE INFORMATION/ELECTRONIC TOOLS/SYSTEM BUILDING

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 the 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.

A December 2013 GAO study¹ surveyed selected Workforce Investment Boards on the information they use to identify available jobs and potential high-growth occupations. Between 77 and 89 percent of WIB respondents reported using various types and source of labor market information including O*NET and CareerOneStop and employment projections data, and a majority found the information very or moderately useful for this purpose.

This activity also supports the Workforce3one Web site, the agency's online technical assistance platform. To operate more efficiently, the Department increasingly relies on delivering technical assistance online rather than in person. The Workforce3one site is designed for employment and training practitioners, providing both technical assistance to the workforce system and a means by which practitioners can electronically share information, advice, ideas and best practices.

Monitor program and grants, and operate a performance-driven system. These resources support key performance accountability and capacity building systems, including the 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. The performance accountability provisions of WIOA increase the requirements for these systems to incorporate additional performance measures consistent across the core programs, measures for services to business, and a statistical modeling function to adjust performance targets based on economic conditions and participant characteristics. These resources also support performance reporting systems which will undergo updates and modifications to meet requirements of WIOA; 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.

¹ *Workforce Investment Act: Local Areas Face Challenges Helping Employers Fill Some Types of Skilled Jobs* (GAO-14-19), publicly Released December 2, 2013, <http://www.gao.gov/assets/660/659322.pdf> (page 9).

WORKFORCE INFORMATION/ELECTRONIC TOOLS/SYSTEM BUILDING

Expand the capacity of the workforce system, including capacity to serve persons with disabilities. 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 expanding capacity of the American Job Center network to serve people with disabilities, including significant disabilities. With DEI grants, states intensively integrate the resources of American Job Center partners, build effective partnerships that leverage resources from multiple programs, fund full-time, dedicated Disability Resource Coordinators, and become Employment Networks under the Social Security Administration Ticket to Work Program. As a result, DEI grants aim to increase the number of individuals with disabilities served in WIOA title I programs, and to improve the training and employment outcomes of persons with disabilities, particularly focusing on career path jobs which lead to economic self-sufficiency.

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

Five-Year Budget Activity History

<u>Fiscal Year</u>	<u>Funding</u> (Dollars in Thousands)	<u>FTE</u>
2012	\$63,473	0
2013	\$60,152	0
2014	\$60,153	0
2015	\$60,153	0
2016	\$67,653	0

Funding Mechanism

The workforce information grants are funded by an administrative formula to all states and a portion for the Virgin Islands and Guam, with 40 percent distributed equally to all states, and 60 percent distributed based on each state’s share of the Civilian Labor Force. The 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 relate 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. The Department awards contracts to implement elements of the reporting and performance monitoring systems to track progress toward goals, and the agency’s technical assistance platform. The DEI grants are awarded through a competitive solicitation to state workforce agencies.

WORKFORCE INFORMATION/ELECTRONIC TOOLS/SYSTEM BUILDING

FY 2017

The Department requests \$75,153,000, which is an increase of \$7,500,000 over the FY 2016 enacted level. These funds will support the following activities in 2017:

Workforce Information Grants to States (\$32,000,000) – In FY 2017, the Department will implement the third year of the Workforce Innovation and Opportunity Act (WIOA) which requires states to build workforce strategies upon labor market intelligence and to implement ways to continuously improve available workforce and labor market information. The workforce information formula grants 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 usable locally. In addition, a portion of the electronic tools funds goes to several state grants to ensure that these data are comparable across states.

In FY 2017, the Department will continue formal consultation with the Workforce Information Advisory Council established by WIOA. The Department will use the recommendations of this Council to improve national and state capacity to collect, analyze, and disseminate current and relevant labor market information for jobseekers and decision-makers.

Operation and Maintenance of National Electronic Tools, System Support and Accountability (\$18,379,000) – In FY 2017, these funds will continue to 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 tools or applications based on new information as it becomes available through WIOA implementation. The Department anticipates WIOA implementation to identify needs for online learning opportunities in addition to existing lists of local classroom offerings and updating credential tool resources on educational programs, occupational licenses and industry certifications, as new data become available on the demand for or usage of various credentials.

WIOA also requires the Department to provide robust and comprehensive technical assistance to grantees. The Department will achieve this through Workforce3one and the updated technical assistance platform Workforce GPS. The Department's ability to successfully support WIOA through the early formative years largely depends on its ability to directly interact with states, identify and address barriers to state implementation, and provide consistent and quality training and coaching. Investing in technical assistance is a cost-effective way to prevent ineffective practices and misuse of funds, to ensure consistency in state and local adherence to statute and regulations, and to more rapidly identify and transfer knowledge about promising practices emerging in states and local areas.

WORKFORCE INFORMATION/ELECTRONIC TOOLS/SYSTEM BUILDING

*O*NET Modernization and Customer Service Tools (\$5,000,000)* – These funds will support the development of online tools to track and improve customer service in American Job Centers. A portion of these funds will establish a technology platform that all 2,500 American Job Centers can use to report on customer service. The online platform will allow job seekers to quickly view customer satisfaction ratings for the American Job Centers in their area. These funds will also support competitive pilot grants to select states to initiate customer service reforms to their workforce systems, with the aim of improving the customer experience in American Job Centers.

These funds will also support O*NET modernization efforts. A portion of these funds will be used to conduct a feasibility study and pilot various approaches to modernize and potentially streamline the way data for O*NET are collected. O*NET currently relies on a two-stage survey design to collect occupational information from a random sample of businesses and workers within those businesses. This method meets Federal standards for representative sampling, response rate, objectivity, integrity, validity, and reliability. This investment will explore potential ways to use data mined from online job boards and evaluate any existing public and private sector job and skill taxonomies that could potentially be leveraged to inform O*NET's current survey work, while still maintaining comparable descriptors across occupations in order to facilitate identification and analysis of transferable skills. The Department will identify and test ways to achieve more complete and up-to-date coverage of occupations and skills, particularly for high-growth, changing industries, which could enable a greater share of the O*NET occupations to be updated annually—which is currently slightly more than 100 occupations per year out of over 900 O*NET occupations.

Occupational Licensing Grants (\$10,000,000) – The Department is requesting \$10,000,000 to expand to additional states a small grant program begun in FY 2016. Early results from research conducted on the first round of grants will be used to inform the second round of funding to support individual States in their work to reduce licensing barriers, review licenses that are coming up for reauthorization, and develop new certification and credentialing frameworks. We will continue to award grants to consortia of states, managed by an intermediary or leading state, to conduct analyses of licensing requirements and develop licensing portability frameworks, including the common acceptance of nationally-recognized certifications as qualifying for licensure.

Disability Employment Initiative (\$9,774,000) – The Department will continue to support the DEI with this line item at the same amount appropriated in FY 2016. Funding in FY 2017 will be used for an eighth round of DEI state grants, with awards to four to eight states. This round of grants will target strategies that support people with disabilities, including significant 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. The grants will also continue to support workforce agencies becoming Employment Networks under Social Security Administration's Ticket to Work initiative, which helps workforce agencies align program strategies and funding among different disability employment supports.

WORKFORCE INFORMATION/ELECTRONIC TOOLS/SYSTEM BUILDING

FY 2016

The Department received \$67,653,000, an increase of \$7,500,000 over the FY 2015 appropriation, with the increase specified for grants to states on occupational licensing. These funds will support the following activities in 2016:

Workforce Information Grants to States (\$32,000,000) – In FY 2016, the Department will implement the second year of the Workforce Innovation and Opportunity Act (WIOA) which requires states to build workforce strategies upon labor market intelligence. In FY 2016, the Department will appoint members to and convene the Workforce Information Advisory Council established by WIOA.

Operation and Maintenance of National Electronic Tools, System Support and Accountability (\$18,379,000) – In FY 2016, 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 tools or applications based on new information as it becomes available through WIOA implementation putting more actionable information in the hands of job seekers and businesses. 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.

The Department's ability to successfully support WIOA through the early formative years largely depends on its ability to directly interact with states, identify and address barriers to state implementation, and provide consistent and quality training and coaching. Investing in technical assistance is a cost-effective way to prevent ineffective practices and misuse of funds, to ensure consistency in state and local adherence to statute and regulations, and to more rapidly identify and transfer knowledge about promising practices emerging in states and local areas.

Occupational Licensing Grants (\$7,500,000) – This is the first year of this grant program designed to identify, explore, and address areas where licensing requirements create an unnecessary barrier to labor market entry or labor mobility and where interstate portability of licenses can improve economic opportunity, particularly for dislocated workers, transitioning servicemembers, veterans, and military spouses. ETA will fund consortia of states, managed by an intermediary or leading state, to conduct analyses of licensing requirements and develop licensing portability frameworks, including the common acceptance of nationally-recognized certifications as qualifying for licensure. In addition, participating states may develop reciprocity agreements and templates for use by other states. The Department will use a portion of the funding for research to identify criteria for where licensing is necessary and justified versus primarily a barrier to entry, and to identify which specific occupations merit licensing and identify best practices in licensing to reduce burden and barriers to the maximum extent feasible.

Disability Employment Initiative (\$9,774,000) – Funding in FY 2016 will be used for a seventh round of DEI state grants, with awards to four to eight states. The lessons learned and evidence

WORKFORCE INFORMATION/ELECTRONIC TOOLS/SYSTEM BUILDING

developed by the evaluation of this and prior years' DEI will inform the design of service delivery in American Job Centers, which must be certified under WIOA every three years based in part on programmatic and physical accessibility.

FY 2015

The Department received \$60,153,000 in FY 2015, the first year of WIOA implementation. With these funds, the Department collected, analyzed, and disseminated economic and workforce data to enable the workforce system and its customers to make informed decisions about careers, education and training, particularly important as states begin their cross-program unified planning. The Department also developed robust career information, industry competency models, and electronic tools, such as CareerOneStop, mySkills myFuture, O*NET OnLine and My Next Move, to support both self-service to individuals and use by career counselors in American Job Centers.

In FY 2015, the Department chartered and recruited members for the Workforce Information Advisory Council established under WIOA. The Department also used these funds to maintain the current performance accountability systems, including making revisions needed to implement WIOA reporting. The Department delivered a significant portion of its technical assistance to states implementing WIOA through online modalities. Lastly, the Department continued to support the Disability Employment Initiative (DEI) with these funds, awarding six grants, including new grants focused on expanding workforce system capacity to serve individuals with significant disabilities.

WORKFORCE INFORMATION/ELECTRONIC TOOLS/SYSTEM BUILDING

DETAILED WORKLOAD AND PERFORMANCE							
		PY 2014 Enacted		PY 2015 Enacted		PY 2016 Enacted	PY 2017 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							
ETA-eTools-01	Number of CareerOneStop site visits (in millions)	25.00	25.14	25.50	TBD	28.50	29.75
ETA-eTools-02	Number of O*NET site visits (in millions)	30.00	48.96	35.50	TBD	55.75	58.50
ETA-eTools-03	Site visits for CareerOneStop and O*NET (in millions)	55.00	74.11	61.00	TBD	84.25	88.25
	Cost per site visit	\$0.35	\$0.30	\$0.32	TBD	\$0.24	\$0.23
ETA-Sys Bld-01	Number of State of Local Workforce Investment Boards that become Employment Networks (ENs)	5	6	13	TBD	13	13
ETA-Sys Bld-02	Number of assigned tickets to State or Local Workforce Investment Boards	200	420	372	TBD	372	372
ETA-Sys Bld-03	Revenue to State or Local Workforce Board ENs for job placement of Social Security disability beneficiaries	\$20,000.00	\$1,377,635	\$302,085.00	TBD	\$302,085.00	\$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 2017 are 29.75 million site visits for CareerOneStop Web sites and 58.50 million site visits for O*NET Web sites, for an estimated total of 88.25 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 is 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.

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 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.

In an effort to show continuous improvement, the targeted goals for PY 2015 through PY 2017 have been increased from PY 2014. Once PY 2015 results are known, we will continue to adjust projected targets for succeeding years.

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

BUDGET ACTIVITY BY OBJECT CLASS					
(Dollars in Thousands)					
		FY 2015 Enacted	FY 2016 Enacted	FY 2017 Request	Diff. FY17 Request / FY16 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	67,653	75,153	7,500
	Total	60,153	67,653	75,153	7,500

WORKFORCE INFORMATION/ELECTRONIC TOOLS/SYSTEM BUILDING

CHANGES IN FY 2017 (Dollars in Thousands)

Activity Changes

Built-In

To Provide For:

Costs of pay adjustments \$0

Advisory and assistance services 0

Other services from non-Federal sources 0

Grants, subsidies, and contributions 0

Built-Ins Subtotal \$0

Net Program \$7,500

Direct FTE 0

	Estimate	FTE
Base	\$67,653	0
Program Increase	\$7,500	0
Program Decrease	\$0	0