

FY 2016

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

For authorized administrative expenses, [\$81,566,000] *\$101,566,000*, together with not to exceed [\$3,495,584,000] *\$4,006,457,000* which may be expended from the Employment Security Administration Account in the Unemployment Trust Fund ("the Trust Fund"), of which:

(1) [\$2,757,793,000] *\$2,853,450,000* from the Trust Fund is for grants to States for the administration of State unemployment insurance laws as authorized under title III of the Social Security Act (including not less than [\$60,000,000] *\$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 all 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 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 sections 231(a) and 233(b) of the Trade Adjustment Assistance Extension Act of 2011, and shall be available for obligation by the States through December 31, [2015] *2016*, except that funds used for automation acquisitions shall be available for Federal obligation through December 31, [2015] *2016*, and for State obligation through September 30, [2017] *2018*, or, if the automation acquisition is being carried out through consortia of States, for State obligation through September 30, [2020] *2021*, and for expenditure through September 30, [2021] *2022*, and funds for competitive grants awarded to States for improved operations, to conduct in-person assessments and reviews and provide reemployment services and referrals, and to address misclassification of workers shall be available for Federal obligation through December 31, [2015] *2016* and for obligation by the States through September 30, [2017] *2018*, and funds used for unemployment insurance workloads experienced by the States through September 30, [2015] *2016* shall be available for Federal obligation through December 31, [2015] *2016*: [*Provided*, That funds provided under this heading for fiscal year 2011 through fiscal year 2014 for automation acquisitions that are being carried out by consortia of States shall be available for expenditure by the States for six fiscal years after the fiscal year in which the funds were obligated to the States];

(2) [\$12,892,000] *\$14,547,000* from the Trust Fund is for national activities necessary to support the administration of the Federal-State unemployment insurance system;

(3) [\$642,771,000] *\$1,042,771,000* from the Trust Fund, together with \$21,413,000 from the General Fund of the Treasury, is for grants to States in accordance with section 6 of the Wagner-Peyser Act, and shall be available for Federal obligation for the period July 1, [2015] *2016* through June 30, [2016] *2017*; *of which \$400,000,000 shall be*

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available for supplemental grants to the States to provide intensive staff-assisted career counseling and other reemployment services to displaced workers through enhanced service strategies pursuant to an application approved by the Secretary of Labor, addressing criteria established by the Secretary, in amounts determined based on the formula described in such section 6, including the reallocation of such funds if States do not apply for or obtain approval of an application for supplemental funds to other States receiving supplemental funds.

(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] \$75,871,000 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] \$61,589,000 shall be available for the Federal administration of such activities, and \$14,282,000 shall be available for grants to States for the administration of such activities; and

(6) [\$60,153,000] \$80,153,000 from the General Fund is to provide workforce information, national electronic tools, and one-stop system building under the Wagner-Peyser Act, *including \$15,000,000 for grants relating to occupational licensing*, and shall be available for Federal obligation for the period July 1, [2015] 2016 through June 30, [2016] 2017: *Provided*, That to the extent that the Average Weekly Insured Unemployment ("AWIU") for fiscal year [2015] 2016 is projected by the Department of Labor to exceed [2,957,000] 2,507,000, 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 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

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used by States to fund integrated Unemployment Insurance and Employment Service automation efforts, notwithstanding cost allocation principles prescribed under the Office of Management and Budget Circular A-87: *Provided further*, That the Secretary, at the request of a State participating in a consortium with other States, may reallocate funds allotted to such State under title III of the Social Security Act to other States participating in the consortium in order to carry out activities that benefit the administration of the unemployment compensation law of the State making the request: *Provided further*, That the Secretary may collect fees for the costs associated with additional data collection, analyses, and reporting services relating to the National Agricultural Workers Survey requested by State and local governments, public and private institutions of higher education, and non-profit organizations and may utilize such sums, in accordance with the provisions of 29 U.S.C. 9a, for the National Agricultural Workers Survey infrastructure, methodology, and data to meet the information collection and reporting needs of such entities, which shall be credited to this appropriation and shall remain available until September 30, [2016] 2017, for such purposes.

In addition,[\$20,000,000] \$30,000,000 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 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, [2015] 2016, and for State obligation through September 30, [2017] 2018. (*Department of Labor Appropriations Act, 2015.*)

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EXPLANATION OF LANGUAGE CHANGE

The Administration proposes several changes to the language under the heading “State Unemployment Insurance and Employment Service Operations” for FY 2016 from the language that was enacted for FY 2015.

In paragraph (1), the Administration proposes adding language to provide that the funds appropriated 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 (RES/REA), are to be provided to all claimants receiving unemployment compensation for ex-service members (UCX) and to claimants of regular unemployment compensation who are profiled as most likely to exhaust their benefits in each State. The intent of this additional language is to ensure that these funds are targeted to providing assistance to claimants facing significant reemployment challenges, which includes transitioning veterans and those claimants identified as most likely to exhaust benefits through the State profiling process required under section 303(j) of the Social Security Act. The services provided under RES/REA are designed to assist in accelerating the reemployment of these claimants.

In paragraph (1), language is also added to the RES/REA language to provide that funds used for RES/REA are funds as specified in section 251(b)(2) of the Balanced Budget and Emergency Deficit Control Act (BBEDCA). This additional language is intended to complement legislation the Administration is proposing that would amend BBEDCA to provide a series of cap adjustments to the discretionary spending limits for the UI State administrative grant activities that will reduce improper payments.

In addition in paragraph (1), the last proviso in the FY 2015 enacted legislation under that paragraph is deleted. That proviso extended the expenditure period for automation acquisition grants administered by consortia of States that were awarded under this paragraph in FYs 2011-2014. Since the proviso was enacted and has taken effect with respect to those prior year grants, the proviso does not need to be repeated in subsequent appropriations acts.

In paragraph (3), the Administration proposes adding language to provide that of the funds appropriated for grants to States to provide employment services under the Wagner-Peyser Act, which the Administration proposes to increase in FY 2016, \$400 million is to be used by the Secretary of Labor to make supplemental grants to States to provide intensive, staff-assisted career counseling and other reemployment services to displaced workers through enhanced service strategies. These grants would be in addition to the formula grants that are allotted to States to provide employment services pursuant to section 6 of the Wagner-Peyser Act. The language specifies that the supplemental grants are to be provided pursuant to an application by a State addressing criteria established by the Secretary of Labor. The supplemental grants are to be made in amounts based on the formula allotments, but if a State does not submit an application, or fails to have an application approved, the funds that would have been awarded to those

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States would be reallocated among the States that receive the supplemental grants. These funds are designed to enhance the capacity of States to provide more intensive services that will assist displaced workers in obtaining reemployment.

In paragraph (6), the Administration proposes to add language to that would include among the funds provided for workforce information, national electronic tools, and one-stop system building under the Wagner-Peyser Act \$15 million for grants relating to occupational licensing. These grants would be designed to facilitate enhanced portability of licensing.

Finally, language would be added at the end of SUIESO regarding the additional funding for RES/REA to provide, similar to the additional language described under paragraph (1), that the funds are intended to provide these services to claimants of regular unemployment compensation who are profiled as most likely to exhaust their benefits in each State. In addition, similar to the language described in paragraph (1), language is added to complement an Administration proposal to include RES/REA funding under cap adjustment to the statutory discretionary spending limits under BBEDCA.

**STATE UNEMPLOYMENT INSURANCE AND EMPLOYMENT
SERVICE OPERATIONS**

AMOUNTS AVAILABLE FOR OBLIGATION						
(Dollars in Thousands)						
	2014		2015		2016	
	FTE	Amount	FTE	Amount	FTE	Amount
A. Appropriation	0	\$81,566	0	\$81,566	0	\$101,566
<i>Subtotal Appropriation</i>	<i>0</i>	<i>\$81,566</i>	<i>0</i>	<i>\$81,566</i>	<i>0</i>	<i>\$101,566</i>
Offsetting Collections From:						
Reimbursements	0	\$10,000	0	\$10,000	0	\$10,000
Trust Funds	188	\$3,616,813	177	\$3,515,584	189	\$4,036,457
Comparative Transfer to Job Corps Federal Administration	-5	-\$655	-5	-\$655	0	\$0
Fees	23	\$13,000	29	\$16,000	29	\$16,000
<i>Subtotal</i>	<i>206</i>	<i>\$3,639,158</i>	<i>201</i>	<i>\$3,540,929</i>	<i>218</i>	<i>\$4,062,457</i>
B. Gross Budget Authority	206	\$3,720,724	201	\$3,622,495	218	\$4,164,023
Offsetting Collections						
Reimbursements	0	-\$10,000	0	-\$10,000	0	-\$10,000
Comparative Transfer to Job Corps Federal Administration	5	\$655	5	\$655	0	\$0
Fees	-23	-\$13,000	-29	-\$16,000	-29	-\$16,000
<i>Subtotal Offsetting Collections</i>	<i>-18</i>	<i>-\$22,345</i>	<i>-24</i>	<i>-\$25,345</i>	<i>-29</i>	<i>-\$26,000</i>
C. Budget Authority	188	\$3,698,379	177	\$3,597,150	189	\$4,138,023
Before Committee	188	\$3,698,379	177	\$3,597,150	189	\$4,138,023
Offsetting Collections From						
Reimbursements	0	\$10,000	0	\$10,000	0	\$10,000
Comparative Transfer to Job Corps Federal Administration	-5	-\$655	-5	-\$655	0	\$0
Fees	23	\$13,000	29	\$16,000	29	\$16,000
<i>Subtotal Offsetting Collections</i>	<i>18</i>	<i>\$22,345</i>	<i>24</i>	<i>\$25,345</i>	<i>29</i>	<i>\$26,000</i>
D. Total Budgetary Resources	206	\$3,720,724	201	\$3,622,495	218	\$4,164,023
Other Unobligated Balances	0	\$0	0	\$0	0	\$0
Unobligated Balance Expiring	-5	-\$174	0	\$0	0	\$0
E. Total, Estimated Obligations	201	\$3,720,550	201	\$3,622,495	218	\$4,164,023

STATE UNEMPLOYMENT INSURANCE AND EMPLOYMENT SERVICE OPERATIONS

SUMMARY OF CHANGES

(Dollars in Thousands)

	2015	2016	Net Change
Budget Authority			
General Funds	\$81,566	\$101,566	+\$20,000
Trust Funds	\$3,514,929	\$4,036,457	+\$521,528
Total	\$3,596,495	\$4,138,023	+\$541,528
 Full Time Equivalents			
General Funds	0	0	0
Trust Funds	172	189	17
Total	172	189	17

Explanation of Change	2016 Change							
	2015 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	172	\$16,589	0	\$295	0	\$0	0	\$295
Personnel benefits	0	\$5,085	0	\$59	0	\$0	0	\$59
One day more 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	\$41	0	\$0	0	\$0	0	\$0
Transportation of things	0	\$0	0	\$0	0	\$0	0	\$0
Rental payments to GSA	0	\$2,355	0	\$49	0	\$0	0	\$49
Rental payments to others	0	\$0	0	\$0	0	\$0	0	\$0
Communications, utilities, and miscellaneous charges	0	\$365	0	\$0	0	\$0	0	\$0
Printing and reproduction	0	\$5	0	\$0	0	\$0	0	\$0
Advisory and assistance services	0	\$12,244	0	\$0	0	\$0	0	\$0
Other services from non-Federal sources	0	\$314	0	\$0	0	\$0	0	\$0
Working Capital Fund	0	\$4,042	0	\$813	0	\$0	0	\$813
Other Federal sources (Census Bureau)	0	\$414	0	\$0	0	\$0	0	\$0
Other Federal sources (DHS Charges)	0	\$152	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	\$171	0	\$0	0	\$0	0	\$0
Operation and maintenance of equipment	0	\$4,873	0	\$0	0	\$0	0	\$0

STATE UNEMPLOYMENT INSURANCE AND EMPLOYMENT SERVICE OPERATIONS

Explanation of Change	2016 Change							
	2015 Base		Trust Funds		General Funds		Total	
	FTE	Amount	FTE	Amount	FTE	Amount	FTE	Amount
Supplies and materials	0	\$210	0	\$0	0	\$0	0	\$0
Equipment	0	\$464	0	\$0	0	\$0	0	\$0
Grants, subsidies, and contributions	0	\$3,549,122	0	\$0	0	\$0	0	\$0
Insurance claims and indemnities	0	\$47	0	\$0	0	\$0	0	\$0
Investment and Loans	0	\$0	0	\$0	0	\$0	0	\$0
Built-Ins Subtotal	172	+\$3,596,495	0	+\$1,216	0	\$0	0	+\$1,216
B. Programs:								
Employment Service Grants to States	0	\$684,002	0	\$400,000	0	\$0	0	\$400,000
Reemployment	0	\$80,000	0	\$100,900	0	\$0	0	\$100,900
UI State Administration-IT Infrastructure	0	\$0	0	\$60,000	0	\$0	0	\$60,000
UI State Administration-Inflation	0	\$0	0	\$37,000	0	\$0	0	\$37,000
Workforce Information-Electronic Tools-System Building Increase - Agency Request	0	\$60,153	0	\$0	0	\$20,000	0	\$20,000
Permanent Program Backlog Reduction Effort	0	\$0	17	\$13,000	0	\$0	17	\$13,000
UI National Activities	0	\$12,892	0	\$1,655	0	\$0	0	\$1,655
Programs Subtotal			17	+\$612,555	0	+\$20,000	17	+\$632,555
Total Increase	172	+\$3,596,495	17	+\$613,771	0	+\$20,000	17	+\$633,771
Decreases:								
A. Built-Ins:								
To Provide For:								
Built-Ins Subtotal	0	\$0	0	\$0	0	\$0	0	\$0
B. Programs:								
UI State Administration-Workload	0	\$2,698	0	-\$92,243	0	\$0	0	-\$92,243
Programs Subtotal			0	-\$92,243	0	\$0	0	-\$92,243
Total Decrease	0	\$0	0	-\$92,243	0	\$0	0	-\$92,243
Total Change	172	+\$3,596,495	17	+\$521,528	0	+\$20,000	17	+\$541,528

**STATE UNEMPLOYMENT INSURANCE AND EMPLOYMENT
SERVICE OPERATIONS**

SUMMARY BUDGET AUTHORITY AND FTE BY ACTIVITY								
(Dollars in Thousands)								
	2014		2015		2016		Diff. 2016 / 2015	
	FTE	Amount	FTE	Amount	FTE	Amount	FTE	Amount
Unemployment Insurance	0	2,892,251	0	2,790,685	0	2,897,997	0	107,312
Unemployment Trust Funds	0	2,892,251	0	2,790,685	0	2,897,997	0	107,312
State Administration	0	2,801,575	0	2,697,793	0	2,702,550	0	4,757
Unemployment Trust Funds	0	2,801,575	0	2,697,793	0	2,702,550	0	4,757
Reemployment Eligibility Assessments- UI Integrity	0	80,000	0	80,000	0	180,900	0	100,900
Unemployment Trust Funds	0	80,000	0	80,000	0	180,900	0	100,900
National Activities	0	10,676	0	12,892	0	14,547	0	1,655
Unemployment Trust Funds	0	10,676	0	12,892	0	14,547	0	1,655
Employment Service	0	684,002	0	684,002	0	1,084,002	0	400,000
General Funds	0	21,413	0	21,413	0	21,413	0	0
Unemployment Trust Funds	0	662,589	0	662,589	0	1,062,589	0	400,000
Grants to States	0	664,184	0	664,184	0	1,064,184	0	400,000
General Funds	0	21,413	0	21,413	0	21,413	0	0
Unemployment Trust Funds	0	642,771	0	642,771	0	1,042,771	0	400,000
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

**STATE UNEMPLOYMENT INSURANCE AND EMPLOYMENT
SERVICE OPERATIONS**

SUMMARY BUDGET AUTHORITY AND FTE BY ACTIVITY								
(Dollars in Thousands)								
	2014		2015		2016		Diff. 2016 / 2015	
	FTE	Amount	FTE	Amount	FTE	Amount	FTE	Amount
Foreign Labor Certification	178	61,318	172	61,655	189	75,871	17	14,216
Unemployment Trust Funds	178	61,318	172	61,655	189	75,871	17	14,216
Federal Administration¹	178	47,036	172	47,373	189	61,589	17	14,216
Unemployment Trust Funds	178	47,036	172	47,373	189	61,589	17	14,216
FLC State Grants	0	14,282	0	14,282	0	14,282	0	0
Unemployment Trust Funds	0	14,282	0	14,282	0	14,282	0	0
Workforce Information-Electronic Tools- System Building	0	60,153	0	60,153	0	80,153	0	20,000
General Funds	0	60,153	0	60,153	0	80,153	0	20,000
Total	178	3,697,724	172	3,596,495	189	4,138,023	17	541,528
General Funds	0	81,566	0	81,566	0	101,566	0	20,000
Unemployment Trust Funds	178	3,616,158	172	3,514,929	189	4,036,457	17	521,528

¹ Foreign Labor Certification Federal Administration funding and FTE for FY 2014 and FY 2015 have been adjusted for the indirect cost realignment. The FY 2014 adjustment for FTE was made to the actual FTE.

STATE UNEMPLOYMENT INSURANCE AND EMPLOYMENT SERVICE OPERATIONS

BUDGET AUTHORITY BY OBJECT CLASS²					
(Dollars in Thousands)					
		2014	2015	2016	Diff. 2016 / 2015
	Full-Time Equivalent				
	Full-time Permanent	178	172	189	17
	Other	23	29	29	0
	Total	201	201	218	17
	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	17,079	16,411	18,081	1,670
11.3	Other than full-time permanent	0	0	0	0
11.5	Other personnel compensation	177	178	192	14
11.9	Total personnel compensation	17,256	16,589	18,273	1,684
12.1	Civilian personnel benefits	5,080	5,085	5,570	485
13.0	Benefits for former personnel	115	2	2	0
21.0	Travel and transportation of persons	21	41	72	31
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	2,274	2,355	2,613	258
23.2	Rental payments to others	0	0	0	0
23.3	Communications, utilities, and miscellaneous charges	346	365	389	24
24.0	Printing and reproduction	20	5	15	10
25.1	Advisory and assistance services	11,353	12,244	22,756	10,512
25.2	Other services from non-Federal sources	10	314	323	9
25.3	Other goods and services from Federal sources 1/	4,217	4,608	5,763	1,155
25.4	Operation and maintenance of facilities	0	171	171	0
25.5	Research and development contracts	0	0	0	0
25.7	Operation and maintenance of equipment	5,918	4,873	4,899	26
26.0	Supplies and materials	166	210	225	15
31.0	Equipment	260	464	471	7
33.0	Investments and Loans	0	0	0	0
38.0	Depreciation Expense - Unfunded	0	0	0	0
41.0	Grants, subsidies, and contributions	3,650,688	3,549,122	4,076,434	527,312
42.0	Insurance claims and indemnities	0	47	47	0
	Total	3,697,724	3,596,495	4,138,023	541,528
	1/Other goods and services from Federal sources				
	Working Capital Fund	4,042	4,042	5,197	1,155
	DHS Services	175	152	152	0

² Foreign Labor Certification Federal Administration funding and FTE for FY 2014 and FY 2015 have been adjusted for the indirect cost realignment. The FY 2014 adjustment for FTE was made to the actual FTE.

STATE UNEMPLOYMENT INSURANCE AND EMPLOYMENT SERVICE OPERATIONS

SIGNIFICANT ITEMS IN APPROPRIATIONS COMMITTEES' REPORTS

Omnibus Conference Report

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The agreement continues to support investments in unemployment insurance program integrity activities, including technology-based programs that identify and reclaim overpayments. The agreement expects the Secretary to submit a follow-up report by September 30, 2015 on the Department's progress in meeting the outcomes identified in the plan requested in Senate Report 113-71.

ETA Response: The Department takes the issue of UI improper payments very seriously and has been working in partnership with states over the last five years to bring down the improper rate. The Department is already implementing a robust strategic plan in coordination with states to improve prevention, detection, and recovery UI improper payments, including fraud, by focusing on specific root causes and ensuring states have access to tools and information that support program integrity. Each of the strategies is constantly monitored and evaluated, with new strategies being developed and added as they are identified. In addition, the Department is actively working with OMB to take advantage of lessons learned from other Federal agencies. By September 30, 2015, the Department will provide an update on the status of the desired outcomes established in Senate Report 113-71

Omnibus Conference Report

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The Department is directed to collect and approve detailed automation acquisition plans for each project that include lifecycle systems cost estimates and implementation timelines, and to submit to the House and Senate Committees on Appropriations a report by April 1 of each fiscal year, until funds available to consortia are expended or expire, that includes the status of all project funds analysis of each project's progress toward executing the acquisition plan.

ETA Response: The requested report relates to states participating in consortia that have received funding from the Department to jointly modernize their information technology systems that support UI program administration. The Employment and Training Administration has requested the information from the state consortia in order to submit the first report to the House and Senate Committees on Appropriations by April 1, 2015, and will submit reports annually as requested.

STATE UNEMPLOYMENT INSURANCE AND EMPLOYMENT SERVICE OPERATIONS

APPROPRIATION HISTORY (Dollars in Thousands)					
	Budget Estimates to Congress	House Allowance	Senate Allowance	Appropriations	FTE
2006					
Base Appropriation...1/	\$3,470,366	\$0	\$19,514	\$3,358,157	0
2007					
Base Appropriation	\$3,435,717	\$0	\$0	\$3,340,350	0
2008					
Base Appropriation...2/ 3/	\$3,338,753	\$0	\$0	\$3,265,883	0
2009					
Base Appropriation...4/ 5/	\$2,782,914	\$0	\$17,295	\$4,359,207	162
2010					
Base Appropriation	\$4,101,556	\$0	\$0	\$4,113,681	181
2011					
Base Appropriation...6/	\$4,435,327	\$0	\$0	\$4,102,672	209
2012					
Base Appropriation...7/	\$4,202,057	\$0	\$0	\$4,086,935	181
2013					
Base Appropriation	\$3,962,240	\$0	\$25,000	\$3,813,205	181
2014					
Base Appropriation...8/	\$3,825,699	\$0	\$0	\$3,698,379	188
2015					
Base Appropriation...8/	\$62,310	\$0	\$0	\$3,597,150	177
2016					
Base Appropriation	\$4,138,023	\$0	\$0	\$0	189

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

2/ Reflects 1.747% rescission.

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

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

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

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

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

8/ 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 on a Federal-state partnership basis to administer programs that provide temporary assistance for unemployed workers, job search assistance for those seeking employment, certification of statutory compliance for permanent or temporary foreign workers, and to increase the capacity of the public workforce system to serve job seekers with disabilities.

Programmatic activities under the SUIESO account include the Unemployment Insurance program which provides temporary wage replacement for unemployed workers, and the U.S. Employment Service which serves to connect job seekers with job opportunities in their local workforce area. The Office of Foreign Labor Certification protects the wages and working conditions of American and foreign nationals through the processing of both permanent and temporary work programs. Finally, resources devoted to system building and workforce information services bolster the capacity of the public workforce system to prepare workers to achieve or maintain middle class jobs.

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BUDGET AUTHORITY BEFORE THE COMMITTEE				
(Dollars in Thousands)				
	2014	2015	2016	Diff. 2016 / 2015
Activity Appropriation	2,892,251	2,790,685	2,897,997	107,312
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 the entry point for unemployed workers into the American Job Centers and to the services that speed their return to work. With the passage of the Workforce Innovation and Opportunity Act, which emphasizes reemployment service delivery to UI claimants in Wagner-Peyser; requires Wagner-Peyser employment services to be co-located with the American Job Centers delivery system; and puts new focus on the alignment of data systems that support effective service delivery, 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 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 supports states providing in-person reemployment services and eligibility assessments in (American Job Centers) with selected UI beneficiaries – promoting faster reemployment and reducing improper UI payments by ensuring that eligibility requirements are met.

The Federal role in the Federal-state cooperative relationship 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. The following are the primary areas of strategic focus for the UI program in FY 2016:

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- Improving UI integrity by employing strategies to prevent, detect, and recover improper payments;
- Improving program performance and accountability by partnering with State Workforce Agencies to develop and implement action strategies and provide technical assistance to states, including the implementation of reengineered benefit accountability processes focusing more heavily on UI program operation;
- 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
- Delivering high-quality services to help the long-term unemployed find jobs that are in-demand and provide a good quality of life.

The Budget includes several proposals to speed the reemployment of the long-term unemployed, improve program integrity, enable states to more effectively prevent, detect, and recover improper payments, and enhance the solvency of state trust funds and address structural deficiencies.

The first of these proposals will address and prevent long-term unemployment by implementing a permanent Reemployment Services and Eligibility Assessment (RES/REA) program that provides reemployment and eligibility services to approximately one-third of UI claimants profiled as most likely to exhaust their benefits and all transitioning veterans. This proposal builds on the success of the existing Reemployment and Eligibility Assessment (REA) program and will pair UI eligibility assessments with reemployment services demonstrated to produce successful employment outcomes. These services would include: in-person interviews to review eligibility for UI benefits; provision of labor market and career information to claimants to inform their career choices; support for the development of a reemployment and work search plan; orientation to services available through American Job Centers; and the provision of staff-assisted reemployment services, including skills assessments, career counseling, job matching and referrals, job search assistance workshops, and referrals to training as appropriate. Based on a successful model established in Nevada, recent research³ on this 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 per individual);
- 3) Claimants were more successful in returning to work sooner in jobs with higher wages and retaining their jobs; and
- 4) \$2.60 of savings was produced for every \$1.00 of cost

Although the 2015 appropriation includes authority to conduct reemployment assessments along with REAs, the funding provided is insufficient to do so. The Budget requests \$180.9 million to provide RES/REA services to the one-third of claimants profiled as most likely to exhaust

³ IMPAQ International. January 2012. *Impact of the Reemployment and Eligibility Assessment (REA) Initiative in Nevada.*

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benefits. By helping ensure both the proper payment of UI benefits and by putting claimants back to work faster, the RES/REA initiative is projected to produce \$287,000,000 in benefits savings in FY 2016.

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

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

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

The Budget also includes a comprehensive, budget neutral UI reform proposal that 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, and expand eligibility for those who need it most.

To improve solvency, the Budget proposes to restore the 0.2 percent FUTA surtax in 2016 and increase the taxable wage base to \$40,000 in 2017 while decreasing the effective FUTA tax to 0.165 percent to avoid a Federal tax increase in the first year. After 2017, the wage base would be indexed to inflation. Beginning in 2017, the proposal would also require states to impose a minimum tax per employee that equates to 0.175 percent of the FUTA wage base (\$70 per employee in 2017). The minimum tax would better spread the burden of the socialized costs associated with administering the UI program to all employers.

The Budget also proposes to replace the current extended benefits (EB) program with one that is more responsive to rising unemployment and that provides more support for the long-term unemployed. The mandatory insured unemployment rate trigger would be replaced by a modification of the current optional total unemployment rate trigger. The program would have four tiers of 13 weeks 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 by three-month average total unemployment rate-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 would come from the Extended Unemployment Compensation Account; however if that account had insufficient funds, funds would be provided from the General Fund through non-repayable advances. For states with regular UI programs that offer up

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to 26 weeks of regular UI benefits, EB would be 100 percent reimbursed with Federal funds. States failing to meet the “up to 26 week” requirement would pay 50 percent of EB benefits as they do currently. In addition, all EB claimants would be required to receive Reemployment Services and Eligibility Assessments as a condition of eligibility.

The Budget also includes a UI modernization proposal would provide that a total of \$5 billion in lump sum payments to states enacting a mix of benefit enhancements, work incentives, and more direct linkages with training and job matching. To become eligible for the payments, states would have to: provide for broader Federal access to UI wage records; adopt e-filing and/or increased penalties for employer non-reporting; provide for at least 26 weeks of benefits in the regular program; and have a definition of “misconduct” that conforms to the DOL model definition. States would also have to commit to a “maintenance of effort” with regard to benefit availability for a specified period of time, i.e. not make qualifying requirements more stringent or reduce benefit levels.

In addition states would have to newly adopt two new eligibility strategies and two new “connection to work” strategies. The eligibility strategies include: an alternative base period; voluntary quit for family reasons; allow recipients to seek part-time work; pay UI benefits while claimants are in training; and provide for a maximum weekly benefit amount that is at least 2/3s of the state’s average weekly wage in covered employment. Connection to work strategies include: more intense reemployment services as duration of benefit receipt increases; increased connection between UI and job referrals; implementation of voluntary work-based models such as on-the-job training or apprenticeships; implementation of relocation assistance; and implementation of state longitudinal wage record data bases. Funding for the modernization proposal would come from the General Fund.

Five-Year Budget Activity History

<u>Fiscal Year</u>	<u>Funding</u> (Dollars in Thousands)	<u>FTE</u>
2011	\$3,250,441	0
2012	\$3,236,314	0
2013	\$3,007,154	0
2014	\$2,892,251	0
2015	\$2,790,685	0

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DETAILED WORKLOAD AND PERFORMANCE					
		2014		2015	2016
		Target	Result	Target	Target
Unemployment Insurance					
Unemployment Insurance					
Strategic Goal 4 - Secure retirement, health, and other employee benefits and, for those not working, provide income security					
Strategic Objective 4.1 - Provide income support when work is impossible or unavailable and facilitate return to work					
ETA-UIAPR-04	Facilitate Claimant Reemployment: Percent of UI claimants reemployed by the end of the first quarter after quarter in which they received first payment. (Unemployment Insurance)	64.70%	62.50%	--	--
ETA-UIAPR-01	Payment Timeliness: Percent of all intrastate first payments that will be made within 21 days. (Unemployment Insurance)	87.10%	79.70%	87.50%	87.50%
ETA-UIAPR-02	Detect Overpayments: Percent of the amount of estimated overpayments that States detect established for recovery. (Unemployment Insurance)	54.20%	67.80%	55.30%	57.40%
ETA-UIAPR-03	Percent of Employer Liability Determinations Made Promptly: Percentage of determinations about UI tax liability of new employers made within 90 days of the end of the first quarter they became liable. (Unemployment Insurance)	88.9%	88.2%	89.0%	89.0%
	Employer Tax Accounts (in thousands)	7,843	7,635	7,849	7,843
	Initial Claims Taken (in thousands)	17,119	17,119	19,094	17,673
	Weeks Claimed (in thousands)	173,136	143,124	152,589	129,849
	Improper Payment Rate*	0.00%	11.57%	11.34%	11.14%
ETA-CH2-UI-02	Overpayment Annual Report Rate*	0.00%	--	0.00%	--

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DETAILED WORKLOAD AND PERFORMANCE					
		2014		2015	2016
		Target	Result	Target	Target
Underpayment Rate*		0.00%	--	0.00%	--
ETA-OUI-04	Fraud and Non-fraud Recoverable Overpayments** (Operational Rate)	5.47%	--	5.37%	--
ETA-OUI-05	Benefit Year Earning (BYE) Rate**	2.73%	--	2.63%	--
ETA-OUI-06	Separation Issues Rate**	2.07%	--	1.97%	--
ETA-OUI-07	Employment Service (ES) Registration Rate**	0.81%	--	0.71%	--

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 143,124,000 in FY 2014 to 129,849,000 in FY 2016 – and an increase in the number of initial claims taken and employer tax accounts — from 17,119,000 and 7,635,000 in FY 2014 to 17,673,000 and 7,843,000 in FY 2016, respectively. It is important to note that UI workload volumes are influenced by economic conditions, not the administrative funds available. As workloads are processed by the states, however, funding levels do affect the quality and timeliness of state UI operations.

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BUDGET ACTIVITY BY OBJECT CLASS					
(Dollars in Thousands)					
		2014	2015	2016	Diff. 2016 / 2015
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	2,892,251	2,790,685	2,897,997	107,312
	Total	2,892,251	2,790,685	2,897,997	107,312
	1/Other goods and services from Federal sources				

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CHANGES IN 2016

(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 **\$107,312**

Direct FTE **0**

	Estimate	FTE
Base	\$2,790,685	0
Program Increase	\$199,555	0
Program Decrease	-\$92,243	0

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BUDGET AUTHORITY BEFORE THE COMMITTEE				
(Dollars in Thousands)				
	2014	2015	2016	Diff. 2016 / 2015
Activity Appropriation	2,801,575	2,697,793	2,702,550	4,757
FTE	0	0	0	0

Introduction

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

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

To support these activities, the Budget includes \$60,000,000 to fund state consortia to modernize their UI tax and benefit systems. State UI tax collection and benefit payment systems rely heavily on automated IT applications and processes to quickly, accurately, and efficiently run the UI program and serve beneficiaries and employers well. However, the average age of the states' UI IT systems is 23 years, and many are more than 30 years old. The lack of investment in modernizing the IT infrastructure to support state UI programs over the past decades has left these systems at risk of failure to meet their essential mission. States with obsolete systems have had difficulty ramping up operations to process recession-level workloads, modifying their systems to accommodate programmatic changes, and integrating new tools to support program integrity. These difficulties have delayed payments to eligible unemployed workers, frustrated employers and potential beneficiaries, and resulted in negative media attention. A number of these legacy systems experienced temporary system failures during the recent recession because of limited capacity to handle the significant increase in claims filed. Other problems inherent in these aging systems include: security (the systems contain personally identifiable information on most workers and employers in the country) and obtaining maintenance and support due to a scarcity of technical personnel knowledgeable in older hardware such as mainframe systems and software languages such as COBOL. Additionally, older systems do not adequately meet the public's (claimants' and employers') expectations for online web-based services. DOL intends to use these funds to support state UI IT modernization projects that adopt the consortia strategy and leverages the products that are currently being developed by the five existing consortia that will be mature and available to other states moving forward.

For FY 2016, the Department has developed strategic action plans in four key areas to promote program and performance improvement: 1) program accountability and performance; 2)

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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 “At Risk” 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.

- 1) Payment Timeliness: 87.5 percent of all state UI intrastate first payments for weeks of full unemployment will be made within 14-21 days.

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

- 2) Establish Tax Accounts Promptly: 89.0 percent of the UI tax liability determinations for new employers will be made within 90 days of the end of the quarter in which employers become liable.

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

Program Integrity and the Reduction of Improper Payments:

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

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- 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.
- 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 continues competitive funding for states to increase capacity to detect misclassification and provides incentive grants to states with significantly improved performance in this area.
- The UI Integrity Center of Excellence. The Center's mission is to develop, implement, and promote innovative integrity strategies in the UI program, focusing on the prevention and detection of fraud. Its mission also includes offering states technical assistance and collecting and disseminating best practices among the states. Center activities supplement and support, but do not duplicate, activities that states are already implementing to reduce UI improper payments by: 1) providing states with sophisticated data analytics tools to rapidly alert them of fraud schemes; 2) supporting ongoing knowledge-sharing among states through the identification and dissemination of integrity practices across the UI program; and 3) increasing state staff capacity by developing and providing centralized training on fraud solutions and integrity strategies. New activities in FY 2015 and 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 national measure established to monitor the progress in this focus area is:

- Detection of Overpayments (previously known as "Payment Accuracy"): Establish for recovery at least 67.9 percent of the amount of estimated regular program overpayments that states can detect and recover.

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

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Reemployment of UI Claimants

The Department will continue to focus on strategies designed to speed the reemployment of UI claimants into good jobs. A focal point of this effort will be the establishment of an enhanced Reemployment Services and Eligibility Assessments (RES/REA) program. Building on the success of the existing Reemployment and Eligibility Assessment (REA) program and favorable evidence about this approach, this initiative will target enhanced reemployment services and eligibility assessments to the top one-third of profiled UI claimants most likely to exhaust their benefits and to all transitioning veterans receiving Unemployment Compensation for Ex-service members (UCX). Modeled on a successful Nevada initiative, recent research⁴ found the RES/REA model to be effective in the following ways:

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

By applying this integrated approach to claimants profiled as likely to exhaust as well as transitioning veterans nationally, it is estimated that this initiative will reduce the average duration of UI benefit receipt by 1.4 weeks for claimants participating in the RES/REA program and will result in approximately \$287,000,000 in benefit savings in FY 2016.

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

The Department is currently developing a performance metric to measure the entered employment rate for UI claimants receiving Wagner-Peyser Act services. This integrated, cross-program reemployment measure utilizes individual participant data from the Wagner-Peyser program that began to be collected in FY2013. Baseline data is currently being analyzed and full implementation of the measure will occur in FY 2016. Once established, the new performance metric will (1) promote cross-program strategies that improve reemployment outcomes for UI claimants, and (2) ensure that responsibility for reemployment outcomes is owned jointly across programs. In the context of implementation of the Workforce Innovation and Opportunity Act (WIOA), which focuses on the alignment of data systems and improved connectivity in support of both improved reemployment service delivery and performance accountability, ETA will work with the workforce system to promote successful outcomes in this critical metric. ETA will also provide guidance to states to enable leveraging resources across programs to support this critical functionality.

⁴ IMPAQ International. January 2012. *Impact of the Reemployment and Eligibility Assessment (REA) Initiative in Nevada.*

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Past Performance Results and Future Projections

1) **Payment Timeliness**: Performance fell below the FY 2014 target of 87.1 percent; 79.7 percent of first payments were made within 14-21 days, down from the FY 2013 level of 81.0 percent. Given the gap between 2014 performance and the 2014 target and the performance trend, performance seems likely to fall short of the FY 2015 target of 87.5 percent.

The decrease in timeliness in 2014 occurred despite a continuing decrease in workload. The decline in performance by states has been attributed to staff layoffs associated with reduction in administrative funding resulting from lower workloads from the temporary Federal programs; staff turnover--especially retirements--and lack of trained staff for making claim eligibility determinations; information technology system issues; and backlogs in the claims-taking and adjudication units. In FY 2014, new initial claims for the regular UI and Extended Benefits (EB) programs decreased by 7 percent from FY 2013. The economic outlook for FY 2015 and FY 2016 indicates new applications will rise slightly despite overall improvement in the labor market (unemployment rates will decline to 5.6 percent and 5.2 percent, respectively, from FY 2014's 6.5 percent.) Consistent with the projected overall improvement in the labor market, FY 2015 and FY 2016 targets for first payment timeliness were set above the FY 2014 performance level, reflecting ETA's special efforts to raise performance in a few chronically underperforming states. Recent results suggest that special efforts in six states that have resulted in improved performance have been offset by declining performance in other states. Performance declined in 16 states between FY 2013 and 2014.

2) **Detection of Overpayments**: States detected and established for recovery 67.8 percent of estimated overpayments, which exceeded the FY 2014 target of 54.2 percent. Statistical analysis of this measure suggests that the gradual improvement in the economy by FY 2016 should result in further improvement in performance for this measure between FY 2015 and FY 2016. The overpayment establishment component of the measure has historically been sensitive to economic conditions. Improvement in the labor market should result in a decrease in benefit payments and a reduction in the total amount overpaid. Lower claims volumes should also result in less diversion of state Benefit Payment Control staff from integrity to claims-taking functions, which should improve overpayment detection by FY 2016. Additionally, the Department has developed a comprehensive plan which includes targeted strategies to improve prevention, detection and recovery of improper payments by states. These factors are reflected in the rising targets for FY 2015 and FY 2016.

3) **Establish Tax Accounts Promptly**: In FY 2014, 88.2 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 0.4 percentage point from the year before and below the 88.9 percent target.

Statistical studies have indicated that new status timeliness reflects a significant uptrend trend since 1997, driven by improvements in automation and the adoption of best practices. The recession temporarily disrupted the trend as many states reassigned staff from tax to claims functions in response to sharply increased claims workloads. This caused status determinations timeliness to decline in FY 2008 and FY 2009. In FY 2010, performance resumed its upward

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trend until FY 2013 and then dipped slightly reflecting the same state workforce factors affecting first payments. In FY 2014, 21 states' performance declined, which, in turn, reduced the national average slightly from 89.6 percent to 89.4 percent. The upward trend is expected to resume in FY 2015 and FY 2016, which is reflected in modestly higher targets -- 89.0 percent in both FYs.

(4) Entered Employment rate for UI claimants receiving Wagner-Peyser Act services:

Helping UI claimants become reemployed is a shared responsibility across multiple workforce programs. The UI program currently has a performance measure – Facilitate Reemployment – which is the percentage of UI claimants who are reemployed during the first quarter after the quarter in which they received their first UI payment. As of the third quarter of FY 2013, the most recent data available, performance was 65.7 percent. The FY 2014 target was set at 64.7 percent. Targets are established using regression analysis that controls for fluctuations in the labor market as reflected in the state's Total Unemployment Rate, seasonality, and the proportion of state claims where the claimant is exempt from active work search or ES registration requirements because of job attachment such as a definitive return to work date.

In FY 2013, states began reporting individual participant data for the Wagner-Peyser program. This is significant because all states require non-job attached claimants to register with the state's ES. The newly collected data will allow states to track the common measures for most UI claimants.

To better align performance accountability related to reemployment with the common measures under the Workforce Investment Act (WIA), soon to be replaced by similar measures under the Workforce Innovation and Opportunity Act (WIOA), ETA plans to adopt the entered employment rate as its measure of reemployment of UI claimants. The UI Claimant Entered Employment Rate is defined as the percentage of UI claimants, co-enrolled in the Wagner-Peyser Employment Service (ES), that obtain employment in the quarter after exiting the program. The data from which this measure can be computed are already gathered through the Labor Exchange Reporting System (LERS) given that all UI benefit applicants are required to register with the ES, LERS data include all UI beneficiaries. A national target for this measure will be developed after the data can be base-lined. The UI program has been a required partner in the one-stop delivery system since passage of the Workforce Investment Act of 1998. As such, the UI program is directed to work collaboratively with workforce system programs and partners to fully connect UI claimants to the full range of reemployment services delivered through American Job Centers, on-line, and through rapid response. The emphasis on cooperation between UI and the broader workforce system has only been enhanced with the passage of The Workforce Innovation and Opportunity Act (WIOA). As a result, the integration of the performance measures on which programmatic accountability is based is a logical step toward facilitating that shared goal.

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Five-Year Budget Activity Component History

<u>Fiscal Year</u>	<u>Funding</u> (Dollars in Thousands)	<u>FTE</u>
2011	\$3,189,254	0
2012	\$3,175,142	0
2013	\$2,949,685	0
2014	\$2,801,575	0
2015	\$2,687,793	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 2016

For UI State Administration, the Budget includes \$2,702,550,000 an increase of \$4,757,000 over the FY 2015 enacted level of \$2,697,793,000.

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 \$46.5 billion in state unemployment taxes and pay an estimated \$35.7 billion in Federal and state UI benefits to 7.2 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 would 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

STATE ADMINISTRATION

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 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.

The Budget also includes \$3,000,000 for continued support of the UI Integrity Center of Excellence. The Center supports the goals of the Improper Payments Elimination and Recovery Act of 2010 (IPERA), the Improper Payments Elimination and Improvements Act of 2012 (IPERIA), the June 2010 Presidential Memorandum *Enhancing Payment Accuracy Through a “Do Not Pay List”*, and OMB Memorandum M-12-11 by leveraging data analytics and predictive modeling tools to reduce improper payments.

FY 2015

The FY 2015 Budget appropriated \$2,697,793,000 for state administration. The funds requested are sufficient to process, on average, 2,957,000 continued claims per week AWIU, and including claims made under the Trade Act of 1974, as amended. During the year, states are expected to collect \$47.8 billion in state unemployment taxes and pay an estimated \$36.0 billion in Federal and state UI benefits to 7.0 million beneficiaries, including former Federal military and civilian personnel, recipients of Federal-state extended benefits, and workers adversely affected by foreign trade who may be eligible for benefits under the Trade Act. The appropriation also included \$10,000,000 to address the misclassification of workers. These funds will be provided to states to upgrade misclassification detection and enforcement programs.

FY 2014

The FY 2014 Budget appropriated \$2,801,575,000 for UI State Administration. During the year, states collected \$46.9 billion in state unemployment taxes and paid \$41.9 billion in Federal and state UI benefits to 7.4 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 2016

(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 **\$4,757**

Direct FTE **0**

	Estimate	FTE
Base	\$2,697,793	0
Program Increase	\$97,000	0
Program Decrease	-\$92,243	0

REEMPLOYMENT SERVICES AND ELIGIBILITY ASSESSMENTS

BUDGET AUTHORITY BEFORE THE COMMITTEE				
(Dollars in Thousands)				
	2014	2015	2016	Diff. 2016 / 2015
Activity Appropriation	80,000	80,000	180,900	100,900
FTE	0	0	0	0

Introduction

To address and prevent long term unemployment, the Department of Labor (Department) again proposes a permanent, integrated Reemployment Services and Eligibility Assessments (RES/REA) program in all states. Building on the successes achieved by the Reemployment and Eligibility Assessment (REA/RES) initiative and based on a successful model established in Nevada, RES/REA will pair Unemployment Insurance (UI) eligibility assessments with reemployment services designed to speed the reemployment of UI claimants into good jobs. The program will be targeted to the third of UI claimants most likely to exhaust their benefits and all transitioning veterans receiving Unemployment Compensation for Ex-service members (UCX).

The RES/REA program is based on a successful model established in Nevada in which eligibility assessments were delivered seamlessly with reemployment services. Recent research⁵ on that service-delivery model found it to be effective in the following ways:

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

By applying this integrated approach to the long-term unemployed and transitioning veterans nationally, it is estimated that this initiative will reduce the average duration of UI benefit receipt by 1.4 weeks for claimants participating in the RES/REA program and result in benefits savings of approximately \$287,000,000 in FY 2016. Looking forward, the RES/REA 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), to job placement.

⁵ IMPAQ International. January 2012. *Impact of the Reemployment and Eligibility Assessment (REA) Initiative in Nevada.*

REEMPLOYMENT SERVICES AND ELIGIBILITY ASSESSMENTS

Five-Year Budget Activity Component History

<u>Fiscal Year</u>	<u>Funding</u> (Dollars in Thousands)	<u>FTE</u>
2011	\$49,900	0
2012	\$49,906	0
2013	\$46,793	0
2014	\$80,000	0
2015	\$80,000	0

Funding Mechanism

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

FY 2016

The Budget includes \$180,900,000 for RES/REA. The requested resources represent a \$100,900,000 increase from the resources enacted in the FY 2015 Budget. To support transitioning veterans, funds will be targeted to provide RES/REA services to all recently-separated military personnel receiving UCX and to support an evaluation coordinated with the Department's Chief Evaluation Officer (CEO) to identify the key factors impeding the reemployment of these UCX claimants. These funds will support an integrated UI RES/R EA program for both jobless veterans and the long-term unemployed as a permanent, required program for all states with the following features:

- 1) RES/REA 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 (63,000 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 RES/REA program will provide integrated reemployment services to UI claimants including: in-person interviews to review eligibility for UI benefits; provision of labor market and career information to claimants to inform their career choices; support for the development of a reemployment and work search plan; orientation to services available through American Job Centers; and provision of staff-assisted reemployment services, including skills assessments, career counseling, job matching and referrals, job search assistance workshops, and referrals to training as appropriate.

The swift reemployment of UI claimants, including UCX claimants, and the reduction of UI improper payments are both high priorities for the Department. The REA program, funded since 2005, has been shown to be an effective tool in addressing both goals. The REA program is now

REEMPLOYMENT SERVICES AND ELIGIBILITY ASSESSMENTS

operational in 44 jurisdictions including 39 states, the District of Columbia, and the Virgin Islands. However, only about 8.4 percent of UI beneficiaries currently receive REAs.

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

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

FY 2015

A total of \$80,000,000 was appropriated for REA services in the FY 2015 Budget for the Unemployment Insurance (UI) Reemployment and Eligibility Assessments and Reemployment Services (REA/RES) program. To support transitioning veterans, funds will be targeted to recently-separated military personnel receiving UCX.

FY 2014

A total of \$80,000,000 was appropriated for REA services in FY 2014. These resources were projected to fund 1,352,000 REAs – thereby helping unemployed claimants return to work faster and reducing improper payments. During FY 2014, a total of 46 states participated in the REA program.

REEMPLOYMENT SERVICES AND ELIGIBILITY ASSESSMENTS

CHANGES IN 2016

(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	\$100,900
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Direct FTE	0
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	Estimate	FTE
Base	\$80,000	0
Program Increase	\$100,900	0
Program Decrease	\$0	0

NATIONAL ACTIVITIES

BUDGET AUTHORITY BEFORE THE COMMITTEE				
(Dollars in Thousands)				
	2014	2015	2016	Diff. 2016 / 2015
Activity Appropriation	10,676	12,892	14,547	1,655
FTE	0	0	0	0

Introduction

Unemployment Insurance (UI) National Activities provides funding to support the states collectively in administering their UI programs - in turn helping the Department of Labor (Department) improve program performance and accountability. The activities funded by UI National Activities support the Federal-state UI system as a whole, are interstate or multi-state in nature, or are performed more efficiently and cost-effectively on a consolidated rather than decentralized basis. This line item is a vital component of the UI budget, supporting system functions that help ensure income support is available to eligible unemployed workers, while eliminating improper payments to ineligible applicants.

National Activities funding provides an avenue for states to apply common technology-based solutions to improve the efficiency and performance of their UI operations through the National Association of State Workforce Agencies' Information Technology Support Center (ITSC). The mission of the ITSC, in partnership with the Department, is to support the fifty-three (53) State Workforce Agencies (SWAs) by applying automation and technology solutions to UI and related programs. The ITSC is dedicated to advancing the use of information technology (IT) to provide more accurate, efficient, cost effective, and timely service to SWA customers. The ITSC also works with state consortia and individual states on a variety of technology-related projects including Benefit and Tax Systems Reengineering and Modernization; Call Center Design and Implementation; Adjudication Automation; and SWA Internet Application development (Benefits, Tax, Adjudication) As many states are now implementing new IT systems to support their UI operations and the administration of the program, supporting states to successfully implement UI modernization projects is a primary focus for the ITSC.

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

In addition, National Activities provides funding for the Interstate Connection Network (ICON), which links state agencies for interstate and combined wage claims purposes and through which states obtain the information necessary for Federal civilian and military claims processing. The ICON currently facilitates the exchange of Interstate Benefits / Combined Wage Claims, wage and separation information for Unemployment Compensation for Ex-Service-members and

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Unemployment Compensation for Federal Employees, Social Security number and name verification, and enables states to obtain wage record information for performance measurement and consumer information purposes. The ICON also allows states to check for receipt of Social Security benefits and gives the Social Security Administration access to state information in order to cross-match with their Supplemental Security Income program. Additionally, the ICON provides connectivity for state systems to the national office system for the collection of state workload data and financial and performance reports used for program oversight and monitoring.

National Activities also helps support the activities of the Actuarial Team within the Office of Unemployment Insurance which is tasked with providing to SWAs training in quantitative and profiling methods, maintaining and improving national budget and legislative models, producing workload forecasts for the purpose of allocating administrative resources, producing actuarial calculations for Departmental financial statements, and publishing the UI Data Summary, UI Outlook, Significant Measures of State Unemployment Insurance Tax Systems, and the State Unemployment Insurance Solvency Report. The funds also support the maintenance of state-specific Benefit Financing Models for 25-30 SWAs, helping states analyze the effects of various taxation, benefit-payment, and economic scenarios on their UI trust funds. This activity is receiving increased attention as 36 states have needed Title XII advances to replenish their UI trust funds during the most recent economic downturn, and 13 states continued to have outstanding advance balances totaling in excess of \$14 billion as of July 31, 2014.

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

Five-Year Budget Activity Component History

<u>Fiscal Year</u>	<u>Funding</u> (Dollars in Thousands)	<u>FTE</u>
2011	\$11,287	0
2012	\$11,266	0
2013	\$10,676	0
2014	\$10,676	0
2015	\$12,892	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.

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FY 2016

The Budget includes \$14,547,000 for UI National Activities, an increase of \$1,655,000 over 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 appropriated funds will support the continuation of IT upgrades and technical assistance activities that focus on three priority areas: 1) program performance and accountability, 2) program integrity, and 3) connecting UI claimants to reemployment services through the American Job Center network.

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

FY 2014

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

NATIONAL ACTIVITIES

CHANGES IN 2016

(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 **\$1,655**

Direct FTE **0**

	Estimate	FTE
Base	\$12,892	0
Program Increase	\$1,655	0
Program Decrease	\$0	0

EMPLOYMENT SERVICE

BUDGET AUTHORITY BEFORE THE COMMITTEE				
(Dollars in Thousands)				
	2014	2015	2016	Diff. 2016 / 2015
Activity Appropriation	684,002	684,002	1,084,002	400,000
FTE	0	0	0	0

Introduction

The Wagner-Peyser Act of 1933 established a nationwide system of public employment offices, known as the Employment Service (ES). The Act was amended by the Workforce Investment Act (WIA) of 1998 to make the Employment Service part of the American Job Center system. The Workforce Investment and Opportunity Act (WIOA) was signed into law on July 22nd 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, 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>
2011	\$723,121	0
2012	\$721,755	0
2013	\$683,926	0
2014	\$684,002	0
2015	\$684,002	0

EMPLOYMENT SERVICE

DETAILED WORKLOAD AND PERFORMANCE						
		2013	2014		2015	2016
		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-WPES-01	Entered Employment Rate (Employment Service)	56.0%	54.70%	--	55.00%	NA
	Entered Employment Rate (percent employed in the 2 nd quarter after program exit) (Employment Service)* ⁶	NA	NA	NA	NA	TBD
ETA-WPES-03	Six Months Average Earnings	\$14,494.00	\$14,937.00	--	\$15,210.00	NA
	Median Earnings** ⁷	\$5,109	NA	NA	NA	TBD
ETA-WPES-01	Number of job seeker participants served – All participants (ES)	16,878,178	18,216,786[p]	--	18,216,786[p]	26,631,231[p] ⁸
	Cost Per Participant Served in Employment and Training Activities	\$39.96	\$36.46[e]	\$39.96	\$39.96	\$39.96
ETA-WPES-02	Employment Retention Rate	82.00%	81.10%	--	81.20%	NA
	Employment Retention Rate (percentage employed in the 4 th quarter after program exit) ⁹	NA	NA	NA	NA	TBD

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

⁶ Beginning in PY 2016, Entered Employment Rate will be calculated based on the 2nd quarter after program exit instead of 1st quarter after program exit.

⁷ Beginning in PY 2016, Six Month Average Earnings will no longer be a measure and will be replaced by Median Earnings.

⁸ Projection is based on current cost per participant rate. As described in proceeding narrative, the Department is proposing changes to the Wagner Peyser that may increase cost per participant.

⁹ Beginning in PY 2016, Employment Retention Rate will be calculated based on the 4th quarter after program exit instead of the 3rd quarter after program exit

EMPLOYMENT SERVICE

Workload and Performance Narrative

The main goal of the ES is to ensure that job seekers and employers have universal access to a basic labor exchange, but states 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 ETA programs such as WIA services (including training), Unemployment Insurance and American Job Center partner programs. During the Great Recession, the demand for all services provided through the American Job Center system, including online workforce information services and staff-assisted services, increased substantially nationwide. Resources have thus shifted to: building the capacity of the system; increasing the capacity of front-line staff to more effectively provide career counseling and assessment services; building on promising approaches developed through the Recovery Act-funded Reemployment Services; working with States to help them utilize technology more effectively; and supporting targeted service delivery to small businesses. All of these activities are intended to further the goal of preparing workers for better jobs.

Services delivered through the American Job Center system are designed to increase employment opportunities for all workers. Accordingly, the Department has measured performance for the Employment Service 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) placement in employment, education or long-term training in the second quarter after exit; 2) placement in employment, education or long-term training 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. The fourth measure is new and still under development. 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 ETA regional offices, to ensure that the grantees are in compliance with the statute and on target to meet performance goals. Such monitoring informs the design and delivery of technical assistance to improve performance. As part of program monitoring, the Department looks at the following system outputs:

1. number of people served by the system
2. number of people that receive workforce information services
3. number of people that receive staff-assisted services
4. number of people exiting the program

These outputs help the Department understand whether the states are implementing strategies that will help them meet their strategic goals. The Department conducts evaluations to assess the

EMPLOYMENT SERVICE

specific strategies promoted to support goal achievement. The results of such evaluations and research are used to revise and update strategies regularly.

EMPLOYMENT SERVICE

BUDGET ACTIVITY BY OBJECT CLASS					
(Dollars in Thousands)					
		2014	2015	2016	Diff. 2016 / 2015
11.1	Full-time permanent	0	0	0	0
11.9	Total personnel compensation	0	0	0	0
23.3	Communications, utilities, and miscellaneous charges	0	0	0	0
33.0	Investments and Loans	0	0	0	0
38.0	Depreciation Expense - Unfunded	0	0	0	0
41.0	Grants, subsidies, and contributions	684,002	684,002	1,084,002	400,000
	Total	684,002	684,002	1,084,002	400,000

EMPLOYMENT SERVICE

CHANGES IN 2016

(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 **\$400,000**

Direct FTE **0**

	Estimate	FTE
Base	\$684,002	0
Program Increase	\$400,000	0
Program Decrease	\$0	0

GRANTS TO STATES

BUDGET AUTHORITY BEFORE THE COMMITTEE				
(Dollars in Thousands)				
	2014	2015	2016	Diff. 2016 / 2015
Activity Appropriation	664,184	664,184	1,064,184	400,000
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. Each year, 17-20 million people use the employment, education, training, and support 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, including ES, 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
- 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 (JVSG) program.

GRANTS TO STATES

- 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.¹⁰ 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 2013, the ES provided nearly 17,000,000 individuals with access to labor exchange (both virtually and through the American Job Center network) and helped 6,817,977 individuals enter employment, of whom 450,731 were veterans.

Five-Year Budget Activity Component History

<u>Fiscal Year</u>	<u>Funding</u> (Dollars in Thousands)	<u>FTE</u>
2011	\$702,169	0
2012	\$700,842	0
2013	\$664,184	0
2014	\$664,184	0
2015	\$664,184	0

Funding Mechanism

The Employment Service funding allotments for states are based on formula provisions defined in the Wagner-Peyser Act. States then distribute resources to local employment service offices, which are part of the American Job Center network.

In FY 2016, the Department is submitting an appropriations language change that would authorize a portion of available funds be set-aside by the Department to fund supplemental budget requests to states. These supplemental funds will advance job driven strategies, providing ready access to more intensive career and reemployment services to ES customers with increased targeting to Unemployment Insurance claimants, individuals with disabilities, and veterans. Additional information about this proposed strategy is provided below.

¹⁰ Schwanse, Peter. 2001. "Summary and Conclusions by the Rapporteur." In *Labour Market Policies and the Public Employment Service*, David Grubb, Stanislav Benes, and Douglas Lippoldt, eds. Paris: Organisation for Economic Co-operation and Development, pp. 17–33 and 2008; and O'Leary, Christopher J. & Randall W. Eberts. 2008. "The Wagner-Peyser Act and U.S. Employment Service: Seventy-Five Years of Matching Job Seekers and Employers."

<http://research.upjohn.org/cgi/viewcontent.cgi?article=1032&context=reports>

GRANTS TO STATES

FY 2016

The Department is requesting \$1,064,184,000 to operate the ES in all 50 states and three territories. This is an increase of \$400,000,000 from the FY 2015 enacted level of \$664,184,000. Of this amount \$664,184,000 will be awarded under the regular formula procedure to states supporting services to a projected 17,117,167 participants. The remaining \$400,000,000 will be set-aside by the Department to fund supplemental budget requests to states to provide intensive reemployment services to dislocated workers.

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 to 17-20 million individuals per year. In most instances, the ES serves as an individual's first contact 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 2013, only 56.2 percent of ES participants received staff-assisted services.

The Budget provides an additional \$400 million 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. This increase, paired the complementary REA/RES resources, would direct an additional \$500 million to support in-person employment services for unemployed workers to connect them with jobs or the training or services they need to prepare for one.

The current cost per participant for the ES program is \$39.96. This rate includes individuals receiving self-service through virtual tools and those receiving more costly staff assisted services. As the set-aside funds will be targeted exclusively to more intensive staff-assisted services, the projected cost per participant would likely be \$150-\$200. These estimates are based on comparisons to other programs offering intensive staff-assisted services such as WIOA Adult and the JVSG program. Assuming the higher cost of \$200 per participant, this increased funding will provide services to approximately 2,000,000 individuals, approximately one-third of all workers estimated to become displaced in 2016.

To operationalize this request for set-aside funds and authority, the Department will apply the statutory ES formula to establish funding caps for each state. States would be required to apply for their share of the additional \$400 million, and at minimum would be expected to show that they would provide intensive employment services, use high-quality labor market and training provider information to guide customers; and describe their outreach and service strategies; and expected results and outcomes. Any funding that remains available due to States not applying for supplemental grants or not receiving approval of a grant application would be provided to states

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that receive supplemental grants, have especially strong applications, and demonstrate a need for additional funding.

FY 2015

The FY 2015 enacted budget for Employment Service Grants to States is \$664,184,000. The Department will continue to provide job seekers and the underemployed the services they need to find new jobs. With these funds, the Department will operate the ES in all 50 states and five territories, supporting intensive, targeted reemployment services to beneficiaries of unemployment insurance, and reducing the duration of unemployment compensation claims by speeding up job placements. Funding will support the delivery of labor exchange and other reemployment services to approximately 18,216,786 participants. This request reflects an economy which continues to improve and rebound from the Great Recession (2007-2009). Based on PY 2012 results, the cost per participant target is \$36.46.

The Employment Service estimates it will serve 18,216,786 job seekers with an Entered Employment Rate of 55 percent, an Employment Retention Rate of 81.2 percent, and Six Months Average Earnings of \$15,210.

In FY 2015, the Employment Service will:

Enhance the coordination of services to recently returning veterans. To meet the needs of returning veterans, the Department is proposing a coordinated system in which Disabled Veteran Outreach Program staff, Local Veteran Employment Representatives, ES and WIA services are deployed most efficiently to meet the needs of all veterans. (See Veterans' Employment and Training Service narrative for more information.)

Expand the use of technology and data. The Department will continue to encourage the system to develop improved labor market information to businesses, including more comprehensive information on available workers and their skill levels to meet the workforce needs of employers. Additionally, the Department will encourage states to make greater use of state-collected administrative data from the workforce investment system, including unemployment insurance data; ES data; American Job Center participant data; and data collected by education and human service agencies to expand the information available on the characteristics of the workforce.

Provide seamless dual-customer service through its American Job Centers. The public workforce system coordinates a range of federally funded training programs and services through the American Job Center system that address the specific and varying needs of its business and job seeker customers. These complementary programs make the public workforce system uniquely positioned to best address and adapt to the emerging needs of workers and businesses, and will allow the system to continue to offer the best value per participant in terms of positive outcomes for job-seekers, employers, and State Workforce Agencies. The locally administered WIOA Dislocated Worker program will continue to provide assessment, training and supportive services, and employment services to both jobseekers, including eligible veterans, and employers,

GRANTS TO STATES

playing a critical role in enhancing U.S. competitiveness and creating an economy that is built to last by connecting industries' needs for a skilled workforce to the public workforce system's trained workers.

FY 2014

An estimated 18,216,786 individuals will receive services through the Employment Service at an average cost of \$36.46 per participant. The Department has set an Entered Employment Rate target of 54.7 percent, an Employment Retention Rate target of 81.1 percent, and a Six Months Average Earnings target of \$14,937. As described above, the Department will be prioritizing activities and strategies that enhance the coordination of services to recently returning veterans, expand the use of technology and data, and provide seamless dual-customer service through its American Job Center network.

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CHANGES IN 2016

(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 \$400,000

Direct FTE 0

	Estimate	FTE
Base	\$664,184	0
Program Increase	\$400,000	0
Program Decrease	\$0	0

EMPLOYMENT SERVICE NATIONAL ACTIVITIES - WOTC

BUDGET AUTHORITY BEFORE THE COMMITTEE				
(Dollars in Thousands)				
	2014	2015	2016	Diff. 2016 / 2015
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>
2011	\$18,483	0
2012	\$18,485	0
2013	\$18,485	0
2014	\$18,485	0
2015	\$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 2016

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

The Tax Increase Prevention Act of 2014 extended authorization for the tax credit for employers who hired individuals through December 31, 2014. As of the release of the Budget, legislation had not been enacted to extend the legislative authorization for WOTC into 2015. At this time, SWAs cannot certify WOTC applications from employers for hires made after December 31, 2014.

Therefore, during this year, states will focus on processing WOTC applications received from employers for hires made on or before December 31, 2014. 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 2014, 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 2014

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

EMPLOYMENT SERVICE NATIONAL ACTIVITIES - WOTC

CHANGES IN 2016

(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
TAT/SWA RETIREMENT**

BUDGET AUTHORITY BEFORE THE COMMITTEE				
(Dollars in Thousands)				
	2014	2015	2016	Diff. 2016 / 2015
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 of Labor’s (Department) 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 TAT/SWA RETIREMENT

Five-Year Program Category History

<u>Fiscal Year</u>	<u>Funding</u> (Dollars in Thousands)	<u>FTE</u>
2011	\$2,469	0
2012	\$2,427	0
2013	\$1,334	0
2014	\$1,333	0
2015	\$1,333	0

Funding Mechanism

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

FY 2016

The Department requests \$1,333,000 for employment service technical assistance activities in Fiscal Year (FY) 2016. Resources will be used to support online and in-person assistance for states to implement promising strategies in addressing the skills mismatch and speeding reemployment of long term unemployed, and increasing employment opportunities for all populations. 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 will be used to support online and in-person assistance for states to implement promising strategies in addressing the skills mismatch and speeding reemployment of long term unemployed, and increasing employment opportunities for all populations, including efficiently operating the Work Opportunity Tax Credit program. Technical assistance will be delivered in-person as well as online, and will focus on strategies that research indicates are promising or proven.

FY 2014

In FY 2014, the Department received \$1,333,000 for employment service technical assistance activities. This year's investments assisted American Job Center staff focus on reemployment strategies for unemployment compensation beneficiaries and the long-term unemployed, and on strategies for states to assist veterans in transitioning to a civilian career, including identifying transferable skills, and determining military qualifications that can translate into civilian credentials. The Department also focused some technical assistance resources on improving employment services to vulnerable populations such as farmworkers, and improving state operations of the Work Opportunity Tax Credit program. Technical assistance was delivered through e-learning and in-person assistance, with a particular focus on documenting, disseminating, and assisting in the implementation of practices shown to be effective.

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

CHANGES IN 2016
(Dollars in Thousands)

Activity Changes

Built-In

To Provide For:

Grants, subsidies, and contributions \$0

Built-Ins Subtotal \$0

Net Program \$0

Direct FTE 0

	Estimate	FTE
Base	\$1,333	
Program Increase	\$0	
Program Decrease	\$0	

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BUDGET AUTHORITY BEFORE THE COMMITTEE¹¹				
(Dollars in Thousands)				
	2014	2015	2016	Diff. 2016 / 2015
Activity Appropriation	61,318	61,655	75,871	14,216
FTE	178	172	189	17

¹¹ Foreign Labor Certification Federal Administration funding and FTE for FY 2014 and FY 2015 have been adjusted for the indirect cost realignment. The FY 2014 adjustment for FTE was made to the actual FTE.

Introduction

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

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

The Department has organized the OFLC into a National Headquarters and three National Processing Centers (NPCs). The OFLC headquarters 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 located in Chicago that adjudicates all temporary nonimmigrant applications; one in Atlanta that adjudicates all immigrant PERM applications; and a third center located in Washington, D.C. that 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*, as well as Strategic Objective 3.3: *Secure Wages and Overtime* by protecting the wages and working conditions of both American workers and foreign nationals who are working in the U.S. Foreign labor certification programs have the primary responsibility for ensuring that the hiring of foreign workers will not adversely impact the wages and working conditions of similarly employed U.S. workers and that no qualified U.S. workers are willing or available to fill a given vacancy.

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

Five-Year Budget Activity History¹²

<u>Fiscal Year</u>	<u>Funding</u> (Dollars in Thousands)	<u>FTE</u>
2011	\$65,517	209
2012	\$65,393	181
2013	\$61,973	181
2014	\$61,318	183
2015	\$61,655	172

¹² Foreign Labor Certification Federal Administration funding and FTE for FY 2014 and FY 2015 have been adjusted for the indirect cost realignment. The adjustment for FTE in FY 2014 and FY 2015 was made to the authorized FTE level.

Funding Mechanism

Under the SUIESO account, Congress appropriates funding for state activities supporting foreign labor certification and the Federal administration of foreign labor certification programs. The Federal Administration activity funds Federal program functions, including salaries and expenses, IT systems development, case adjudication support, rent, equipment, supplies, the Department's Office of the Chief Information Officer (OCIO), and ETA's indirect costs. The State Grants activity funds state employment services that support the Federal foreign labor certification programs (e.g., conducting required housing inspections for H-2A workers, placing job orders, etc.). The OFLC distributes this funding annually to states as fiscal year formula grants in accordance with approved state plans.

The Budget proposes legislation to allow the Department to charge fees for new applications filed under the Permanent and H-2B foreign labor certification programs in order to improve the speed and quality of certification processing. The Budget also proposes legislation to allow the Department to retain fees for certified applications filed under the H-2A temporary labor certification program and modify the fee to cover full program costs. The actual fee levels would be set via notice and comment regulation. The fees would partially offset Federal costs for administering these programs and, once fully implemented, would eliminate the need for appropriations for this purpose. The current OFLC funding structure – under which all employers

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are charged to support the OFLC program via taxes collected under the Federal Unemployment Tax Act – is economically inefficient, as it charges all employers for a service that less than one percent of employers typically use. A fee structure would be more economically efficient because it would assign the costs of administering the program directly to the program’s users. Additionally, other Federal agencies that perform similar immigration-related services are already wholly or largely funded from fee revenue. The U.S. Citizenship & Immigration Services is authorized by the same legislation as OFLC (the Immigration and Nationality Act) and has been funded almost entirely by fees since 1968.

In addition to Congressional appropriations, OFLC receives 5 percent of the revenue from the employer-funded H-1B application processing fee collected by the Department of Homeland Security. This 5 percent supports H-1B labor condition application processing activities (any remaining funds may also be used to support PERM processing activities) and is separate from the portion of H-1B funding allocated to the Department for U.S. worker training.

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DETAILED WORKLOAD AND PERFORMANCE					
		2014		2015	2016
		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	130,100	130,200	137,200[e]	164,300[e]
	PERM New Applications Filed	74,900	75,000	77,600[e]	80,300[e]
	PERM Applications Processed	71,000	71,000	53,200[e]	96,450[e]
ETA-CH3-FLC-01	PERM Applications Remaining	59,900	59,600	84,000[e]	67,850[e]
	H-1B - New Applications Filed	494,500	494,500	577,300[e]	673,900[e]
	H-1B Applications Processed	519,500	519,500	577,300[e]	673,900[e]
ETA-CH3-FLC-05	H-1B Applications Remaining	5,200	5,400	11,100[e]	13,000[e]
	H-2A - New Applications Filed	6,800	6,700	7,500[e]	8,400[e]
	H-2A Applications Processed	6,700	6,700	7,500[e]	8,400[e]
ETA-CH3-FLC-07	H-2A Applications Remaining	200	200	200[e]	300[e]
	H-2B - New Applications Filed	5,500	5,500	6,400[e]	7,500[e]
	H-2B Applications Processed	5,500	5,500	6,400[e]	7,500[e]
ETA-CH3-FLC-10	H-2B Applications Remaining	100	100	100[e]	100[e]

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DETAILED WORKLOAD AND PERFORMANCE					
		2014		2015	2016
		Target	Result	Target	Target
ETA-OB-FLC-01	Average processing time goal for PERM applications selected for integrity review (Audit, OFLC)	350-450	452	475-600	500-600
ETA-OB-FLC-02	Average processing time for PERM applications not selected for integrity review (OFLC)	150-225	203	250-350	250-350
ETA-OFLC-01	Percent of Complete H-2A Applications Resolved 30 Days Before the Date of Need (OFLC)	80.00%	90.8%	80.0%	80.0%
ETA-OFLC-02	Percent of H-2B Applications Resolved in 30 Days (OFLC)	90.00%	97.5%	90.0%	90.0%
ETA-OFLC-04	Percent of H-1B applications processed within seven days of the filing date (OFLC)	100.00%	97.1%	100.00%	100.00%

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

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Workload and Performance Summary

The OFLC adjustments to the FY 2014 workload results and the projections for FY 2015 and FY 2016 for the permanent and temporary visa programs are a function of the following factors: (1) actual workload and performance results through September 2014; (2) the impact of continued Permanent Labor Certification Program (PERM) integrity initiatives to conduct reasonable audit examinations and to supervise recruitment for other positions where qualified U.S. workers may be available and; (3) positive economic forecast assumptions in FY 2015-2016 for U.S. unemployment and labor force employment levels, and the resulting increase in the new applications expected to be filed.

Due to improving economic conditions, the Department saw a 16 percent increase in FY 2014 Temporary program filings. Recent filing data thus supports an expected increase in the projected number of applications filed in FY 2015 and 2016. As workload increases in anticipation of a recovering economy in FY 2015-2016, OFLC will implement high-priority strategies designed to ensure the timely processing of employer applications for temporary low-skilled agricultural and nonagricultural workers.

The Farm Labor Survey (FLS), which until May 2011 was conducted by the U.S. Department of Agriculture (USDA), establishes the Adverse Effect Wage Rates (AEWRs) as required in 20 Code of Federal Regulations 655.103. USDA ceased funding for the survey, thereby leaving the Department with no viable alternative other than to fund it out of the SUIESO appropriations, particularly given the clear regulatory language governing the H-2A Program. The USDA's funding decision requires OFLC to further prioritize FY 2015-2016 funds and will adversely impact the PERM program, because unlike the temporary programs it does not have statutory or regulatory-required processing times. The yearly USDA FLS expense of \$1.2 million continues to impact the ability of the OFLC to avoid growing backlogs of employer-filed PERM applications (the majority of which are for IT jobs in demand by our nation's largest employers).

The OFLC has implemented modified performance measures that further align outcome results with changes in program regulatory requirements and Departmental priorities. By separating the PERM processing time goals for applications that are and are not subjected to integrity reviews, OFLC can balance resources without losing program integrity. OFLC expects processing times and backlogs in the PERM program to grow throughout FY 2015 and then come down in FY 2016 with the dedicated backlog reduction resource allocation.

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

The OFLC employs a data driven and results-oriented approach to its management of Federal resources and the administration of employment-based immigration programs. Through its annual operating plans, the OFLC focuses accountability on the timeliness and quality of program performance, including case production at the staff level; mitigating adverse impacts on

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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. Individual staff performance/production requirements are systematically reviewed and modeled upon actual performance and available resources. Organizational resources are aligned with production outputs and strategic objectives, high-priority strategies and staff-level production and quality standards identified, and adjustments to existing staff workloads or other business processes made in order to achieve intended results. All production-related data is extracted from electronic case management systems and aggregated using standard algorithms to ensure the consistent measurement of results.

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BUDGET ACTIVITY BY OBJECT CLASS¹³					
(Dollars in Thousands)					
		2014	2015	2016	Diff. 2016 / 2015
11.1	Full-time permanent	17,079	16,411	18,081	1,670
11.3	Other than full-time permanent	0	0	0	0
11.5	Other personnel compensation	177	178	192	14
11.9	Total personnel compensation	17,256	16,589	18,273	1,684
12.1	Civilian personnel benefits	5,080	5,085	5,570	485
13.0	Benefits for former personnel	115	2	2	0
21.0	Travel and transportation of persons	21	41	72	31
22.0	Transportation of things	0	0	0	0
23.1	Rental payments to GSA	2,274	2,355	2,613	258
23.2	Rental payments to others	0	0	0	0
23.3	Communications, utilities, and miscellaneous charges	346	365	389	24
24.0	Printing and reproduction	20	5	15	10
25.1	Advisory and assistance services	11,353	12,244	22,756	10,512
25.2	Other services from non-Federal sources	10	314	323	9
25.3	Other goods and services from Federal sources 1/	4,217	4,608	5,763	1,155
25.4	Operation and maintenance of facilities	0	171	171	0
25.5	Research and development contracts	0	0	0	0
25.7	Operation and maintenance of equipment	5,918	4,873	4,899	26
26.0	Supplies and materials	166	210	225	15
31.0	Equipment	260	464	471	7
41.0	Grants, subsidies, and contributions	14,282	14,282	14,282	0
42.0	Insurance claims and indemnities	0	47	47	0
	Total	61,318	61,655	75,871	14,216
	1/Other goods and services from Federal sources				
	Working Capital Fund	4,042	4,042	5,197	1,155
	DHS Services	175	152	152	0

¹³ Foreign Labor Certification Federal Administration funding for FY 2014 and FY 2015 has been adjusted for the indirect cost realignment.

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CHANGES IN 2016

(Dollars in Thousands)

Activity Changes

Built-In

To Provide For:

Costs of pay adjustments	\$295
Personnel benefits	59
One day more of pay	0
Benefits for former personnel	0
Travel and transportation of persons	0
Transportation of things	0
Rental payments to GSA	49
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	813
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 **\$1,216**

Net Program **\$13,000**

Direct FTE **17**

	Estimate	FTE
Base	\$62,871	172
Program Increase	\$13,000	17
Program Decrease	\$0	0

FEDERAL ADMINISTRATION

BUDGET AUTHORITY BEFORE THE COMMITTEE¹⁴				
(Dollars in Thousands)				
	2014	2015	2016	Diff. 2016 / 2015
Activity Appropriation	47,036	47,373	61,589	14,216
FTE	178	172	189	17

¹⁴ Foreign Labor Certification Federal Administration funding and FTE for FY 2014 and FY 2015 have been adjusted for the indirect cost realignment. The FY 2014 adjustment for FTE was made to the actual FTE.

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 fee revenue derived from employer-paid fees. OFLC administrative costs include the Federal and contractor staff necessary to process employer-filed applications, the information technology (IT) systems required to process all applications across multiple temporary and permanent programs, rent for the OFLC national headquarters and three national processing centers, supplies, equipment, and agency indirect costs.

Program Staff Support and Staff Charging

The OFLC's Administration funds are also used to finance Employment and Training Administration (ETA) mission support activities like contract and grants management, human resources, and financial and administrative management. The offices in which these functions reside provide critical support to the programmatic functions of OFLC. The ETA mission support offices provide critical business functions that allow OFLC to operate. Without these business functions, the ability of OFLC to perform the most basic of operations would be severely constrained. The OFLC's administrative funds are also used to finance the Department's Office of Chief Information Officer to support ETA's IT network and infrastructure.

In FY 2016 ETA will realign how indirect costs are allocated to the Agency's salary and expense accounts. The accounts impacted are Program Administration, Job Corps Federal Administration and Foreign Labor Certification Federal Administration. This realignment will allow ETA to better show the actual costs associated with administering these programs as the demand for indirect services changes. This realignment will be accomplished by comparative transfers as outlined in the Amounts Available for Obligation table. This is a net-zero change across the three accounts, and does not represent any new program activity. To better display the impact of this realignment and the actual changes requested for FY 2016, funding and FTE for FY 2014 and FY 2015 have been adjusted by the transfer amount for the indirect cost realignment.

FEDERAL ADMINISTRATION

Five-Year Budget Activity Component History

<u>Fiscal Year</u>	<u>Funding</u> (Dollars in Thousands)	<u>FTE</u>
2011	\$50,418	209
2012	\$50,323	181
2013	\$47,691	181
2014	\$47,036	183
2015	\$47,373	172

FY 2016

The Department requests \$61,589,000 and 189 FTE. These resources will support the operation, management, and oversight of Foreign Labor Certification program. In particular, the OFLC will focus program resources on decreasing the backlog of un-adjudicated Permanent Labor Certification (PERM) applications and on meeting the processing times mandated by statute and regulation in the temporary nonimmigrant programs.

The Budget includes a one-time request of \$13,000,000 and 17 Term FTE to reduce the escalating backlog of Permanent Labor Certification Program (PERM) cases. This one-time request will allow the OFLC to reduce the growing backlog of PERM cases and significantly decrease the amount of time that cases must wait prior to initial processing. With these resources, OFLC projects that 96,450 PERM applications will be processed – a 36 percent increase from FY 2014 and more than 16,000 more applications than are expected to be received in FY 2016.

In FY 2016, the OFLC will continue its standing internal operating strategy of aligning funding, facilities, staffing, and technology resources to implement priority strategies that provide for the timely processing of employer prevailing wage determinations and subsequently-filed applications for low-skilled temporary jobs in agriculture and nonagricultural occupations. This clear prioritization of resources reflects adherence to both statutory and regulatory case processing requirements and timeframes. OFLC continues to seek methods and strategies designed to maximize the effective results OFLC has historically achieved in its overall administration of national employment-based immigration programs. In FY 2016, OFLC expects to process 8,400 H-2A applications and 7,500 H-2B applications. The OFLC will also continue strategies designed to increase the percent of H-2A and H-2B applications filed electronically by adopting a multi-tiered, targeted customer education and outreach strategy to foster broader adoption of electronic filing across the two programs (both an effectiveness and efficiency measure and goal for the office). In addition, the OFLC anticipates processing 673,900 H-1B applications and issuing more than 140,600 Prevailing Wage determinations.

FY 2015

In FY 2015 the OFLC will focus Federal program resources on meeting the processing times mandated by statute and regulation in the temporary nonimmigrant programs while attempting to slow the increase of backlogged cases in the PERM program. An overall increase in employer

FEDERAL ADMINISTRATION

filings due to the improving economy is expected to adversely impact the organization's ability to meet the PERM timeliness measure and reduce growing case backlogs.

OFLC anticipates processing 7,500 H-2A applications and 6,400 H-2B applications in FY 2015. In addition, the OFLC projects processing 53,200 PERM applications, 577,300 H-1B applications, and issuing 133,200 Prevailing Wage determinations.

The OFLC will continue to focus on the timeliness and quality of program performance, mitigating adverse impacts on processing center operations, and ensuring that high-priority strategies are implemented and managed with integrity and in compliance with applicable statutes, regulations, and standard operating procedures. OFLC is committed to continually assessing its structure and work processes to achieve efficiencies and cost savings.

FY 2014

In FY 2014 OFLC processed 6,700 H-2A applications and 5,500 H-2B applications – a 14 percent increase from FY 2013. OFLC also issued 125,900 Prevailing Wage determinations and processed 519,500 H-1B applications (a 24 percent increase from FY 2013) and 71,000 PERM applications (a 67 percent increase from FY 2013).

In the 4th quarter of FY 2014, OFLC made significant contractor reductions as part of a realignment of resources. Federal staff were trained to perform duties previously undertaken by contractors and as a result performance management plans were significantly modified. This transition period resulted in slower case productivity, increasing both the growth of the PERM backlog as well as the time period for case processing.

FEDERAL ADMINISTRATION

BUDGET ACTIVITY COMPONENT BY OBJECT CLASS					
(Dollars in Thousands)					
		2014	2015	2016	Diff. 2016 / 2015
11.1	Full-time permanent	17,079	16,411	18,081	1,670
11.3	Other than full-time permanent	0	0	0	0
11.5	Other personnel compensation	177	178	192	14
11.9	Total personnel compensation	17,256	16,589	18,273	1,684
12.1	Civilian personnel benefits	5,080	5,085	5,570	485
13.0	Benefits for former personnel	115	2	2	0
21.0	Travel and transportation of persons	21	41	72	31
22.0	Transportation of things	0	0	0	0
23.1	Rental payments to GSA	2,274	2,355	2,613	258
23.2	Rental payments to others	0	0	0	0
23.3	Communications, utilities, and miscellaneous charges	346	365	389	24
24.0	Printing and reproduction	20	5	15	10
25.1	Advisory and assistance services	11,353	12,244	22,756	10,512
25.2	Other services from non-Federal sources	10	314	323	9
25.3	Other goods and services from Federal sources 1/	4,217	4,608	5,763	1,155
25.4	Operation and maintenance of facilities	0	171	171	0
25.5	Research and development contracts	0	0	0	0
25.7	Operation and maintenance of equipment	5,918	4,873	4,899	26
26.0	Supplies and materials	166	210	225	15
31.0	Equipment	260	464	471	7
41.0	Grants, subsidies, and contributions	0	0	0	0
42.0	Insurance claims and indemnities	0	47	47	0
	Total	47,036	47,373	61,589	14,216
	1/Other goods and services from Federal sources				
	Working Capital Fund	4,042	4,042	5,197	1,155
	DHS Services	175	152	152	0

FEDERAL ADMINISTRATION

CHANGES IN 2016

(Dollars in Thousands)

Activity Changes

Built-In

To Provide For:

Costs of pay adjustments	\$295
Personnel benefits	59
One day more of pay	0
Benefits for former personnel	0
Travel and transportation of persons	0
Transportation of things	0
Rental payments to GSA	49
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	813
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 **\$1,216**

Net Program **\$13,000**

Direct FTE **17**

	Estimate	FTE
Base	\$48,589	172
Program Increase	\$13,000	17
Program Decrease	\$0	0

STATE GRANTS

BUDGET AUTHORITY BEFORE THE COMMITTEE				
(Dollars in Thousands)				
	2014	2015	2016	Diff. 2016 / 2015
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 to fund employment-based immigration activities that are required components of the various foreign labor certification programs. These activities include, but are not limited to, SWA posting and circulation of inter- and intra-state job orders and the provision of other assistance to employers in the effective recruitment of U.S. workers, conducting state safety inspections of employer-provided housing for workers in the H-2A Temporary Agricultural Program, and developing and conducting the prevailing practice and wage surveys used to set wages and standards for a number of occupations within their state. The SWAs also post employer job orders for the PERM Program in accordance with that program's regulations.

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>
2011	\$15,099	0
2012	\$15,070	0
2013	\$14,282	0
2014	\$14,282	0
2015	\$14,282	0

FY 2016

The Department requests \$14,282,000 for SWA foreign labor certification activities, the same amount enacted in Fiscal Years 2014 and 2015. In FY 2016, 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 conducting prevailing practice and wage surveys. Depending on the level of program participation, the OFLC expects that the H-2A Temporary Agricultural Program will experience increased state-level processing delays in 2016, as the program's fixed costs have increased in recent years.

STATE GRANTS

FY 2015

The FY 2015 budget appropriated \$14,282,000 for SWA foreign labor certification activities. States will use these grant funds to post job orders for employers seeking U.S. workers, provide housing inspections for H-2A workers, and conduct prevailing practice and wage surveys. The OFLC will focus state grant resources on meeting the processing times mandated by statute and regulation in the H-2A and H-2B temporary nonimmigrant programs.

FY 2014

The FY 2014 enacted level for SWA foreign labor certification activities was \$14,282,000. In FY 2014, SWAs conducted 5,442 housing inspections for H2A workers, processed 12,286 job orders, and completed 1,272 prevailing wage and employment practice surveys.

STATE GRANTS

BUDGET ACTIVITY COMPONENT BY OBJECT CLASS					
(Dollars in Thousands)					
		2014	2015	2016	Diff. 2016 / 2015
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 2016

(Dollars in Thousands)

Activity Changes

Built-In

To Provide For:

Costs of pay adjustments	\$0
One day more of pay	0
Grants, subsidies, and contributions	0

Built-Ins Subtotal **\$0**

Net Program **\$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)				
	2014	2015	2016	Diff. 2016 / 2015
Activity Appropriation	60,153	60,153	80,153	20,000
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' 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 Investment and Opportunity Act (WIOA) which was signed into law on July 22, 2014, requires collocation 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 national electronic tools that may be used to improve access to workforce information for individuals in the one-stop career system. These funds support 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, including the Disability Employment Initiative, which allow the American Job Center network to respond to the needs of the job seekers and businesses in the current economy.

The American Job Center network continues to face high demand for employment and training services to speed re-employment for dislocated workers and for veterans transitioning to civilian employment. A robust suite of electronic tools helps the national workforce system meet this challenge. Although reduced from the recession's height, the number of unemployed job seekers who use the public workforce system is still well above the pre-recession level, growing from 1,050,000 in 2006 to nearly 2,002,000 in an average month in 2013 (Table 1). The number of American Job Centers fell from more than 2,900 in 2011 to just 2,473 in late 2014 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 enabling self-service use by customers.

WORKFORCE INFORMATION/ELECTRONIC TOOLS/SYSTEM BUILDING

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

	Percent of unemployed job seekers who use public employment agencies	Number using public employment agencies (thousands)	Percent increase from 2006 to 2013
2013	19.4%	2,002	90%
2012	19.3%	2,185	
2011	21.0%	2,626	
2010	22.2%	2,973	
2009	22.6%	2,851	
2008	18.9%	1,465	
2007	17.7%	1,080	
2006	17.3%	1,052	

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

In addition to supplementing and strengthening the services available in the One-Stop 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.

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:

WORKFORCE INFORMATION/ELECTRONIC TOOLS/SYSTEM BUILDING

1. Employment and career information;
2. Education and training information;
3. A skill transferability tool that enables previously employed job seekers to match their occupational skills and experiences with the skills needed in other occupations;
4. Information about other assistance to individuals (e.g., unemployment insurance and social, family, housing and emergency services);
5. employer and economic development tools; and
6. Tools specifically tailored for veterans and transitioning military service members.

This activity also supports the Workforce3One Web site, the agency's online technical assistance platform. To operate more efficiently, the Department increasingly relies on delivering technical assistance online rather than in person. The Workforce3One site is designed for employment 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.

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

- 1) Improve the training and employment outcomes of persons with disabilities who are unemployed, underemployed, or receiving Social Security disability benefits, particularly focusing on career path jobs which lead to economic self-sufficiency;
- 2) Build effective partnerships that leverage public and private resources to better serve persons with disabilities;

WORKFORCE INFORMATION/ELECTRONIC TOOLS/SYSTEM BUILDING

- 3) Expand the capacity of the American Job Center network to serve customers with disabilities; and
- 4) Expand the public workforce developments system’s capacity to become Employment Networks for beneficiaries under the Social Security Administration Ticket to Work Program.

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

Five-Year Budget Activity History

<u>Fiscal Year</u>	<u>Funding</u> (Dollars in Thousands)	<u>FTE</u>
2011	\$63,593	0
2012	\$63,473	0
2013	\$60,152	0
2014	\$60,153	0
2015	\$60,153	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.

FY 2016

The Department requests \$80,153,000, an increase of \$20,000,000 over the FY 2015 appropriated amount. These funds will support the following activities in 2016:

Workforce Information Grants to States (\$31,940,000) - The workforce information formula grants will provide funds to states to collect data and produce economic and workforce analyses documenting changing labor market conditions, including shifts in industrial and occupational demand and its impact on the skills needed by the workforce. These data products are developed and presented in a wide variety of well organized, valid, reliable data formats and analyses, and are disseminated through both state and national electronic tools. This investment leverages a

WORKFORCE INFORMATION/ELECTRONIC TOOLS/SYSTEM BUILDING

much larger investment that produces national Bureau of Labor Statistics data sets and makes them useable 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 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 use a portion of funds to formally consult with a Workforce Information Advisory Council and the Advisory Committee on Increasing Competitive Integrated Employment for Individuals with Disabilities 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. The Department will also support activities associated with the completion of a final report from the Advisory Committee on Increasing Competitive Integrated Employment for Individuals with Disabilities on recommendations increasing the employment opportunities for individuals with disabilities in competitive integrated employment.

Operation and Maintenance of National Electronic Tools, System Support and Accountability (\$18,409,000) – 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. These will include providing lists of 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 becomes available on the demand for or usage of various credentials. Funds will also be used to deliver training and technical assistance to workforce investment system staff through webinars, social media networking, and identification of best practices, and to support performance accountability reporting systems in order to determine the outcomes of the agency's investments.

WIOA requires the Department to provide robust and comprehensive technical assistance to grantees. For instance, the Act requires the Department, with the Department of Education as needed, "to provide technical assistance to any grantee that fails a performance measure." The Act also requires that the Department support a system to share promising and proven practices, which the Department implements through its 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.

*O*NET Modernization* (\$5,000,000). The 2016 Budget includes a request for \$5 million 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

WORKFORCE INFORMATION/ELECTRONIC TOOLS/SYSTEM BUILDING

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 would explore potential ways that data mined from online job boards could inform O*NET's current survey work, and evaluate any existing public and private sector job and skill taxonomies that could potentially be leveraged, while still maintaining comparable descriptors across occupations in order to facilitate identification and analysis of transferable skills. The Department would 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.

Disability Employment Initiative (\$9,804,000) - The Department will continue to support the DEI with this line item at the same amount appropriated in FY 2015. This funding is jointly funded by DEI and the (ODEP) Office of Disability Employment Policy for the same objective. These system change grants expand the capacity of American Job Centers and the entire workforce system to serve people with disabilities, including people with significant disabilities, through flexibility in assessments, training, job search techniques; partnerships with other programs that support employment for people with disabilities; and outreach to employers. Funding in FY 2016 will be used for a seventh round of DEI state grants, with awards to four to eight states. This round of grants will target strategies that support people with disabilities advancing in a career pathway to appropriate and self-sustaining employment, based on data and information from the current DEI random assignment evaluation and other evidence-based research. 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.

Occupational Licensing Grants (\$15,000,000). The Department is requesting \$15 million 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 and support economic growth. The first round of grants 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.. This research will inform the second round of grants that will fund individual States in their work to reduce licensing barriers, review licenses that are coming up for reauthorization, and develop new certification and credentialing frameworks.

WORKFORCE INFORMATION/ELECTRONIC TOOLS/SYSTEM BUILDING

FY 2015

The Department received \$60,153,000. FY 2015 marks the first year of WIOA implementation. With these funds, the Department collects, analyzes, and disseminates economic and workforce data to enable the workforce system and its customers to make informed decisions about careers, education and training, particularly important as states begin their cross-program unified planning. The Department also develops robust career information, industry competency models, and tools to support both self-service to individuals and use by career counselors in American Job Centers.

In FY 2015, the Department will use a portion of these funds to charter, recruit members for, and launch the two advisory councils established by WIOA— Workforce Information Advisory Council and the Advisory Committee on Increasing Competitive Integrated Employment for Individuals with Disabilities. The Department is required to consult with the Workforce Information Advisory Council at least twice a year and will leverage 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. Likewise, the Advisory Committee on Increasing Competitive Integrated Employment for Individuals with Disabilities is required to meet at least eight times in order to study, and prepare findings, conclusions, and recommendations for ways to increase the employment opportunities for individuals with disabilities in competitive integrated employment.

The Department also uses these funds to maintain the current performance accountability systems, including revisions needed to implement WIOA reporting. Additionally, the Department re-engineered the technical assistance platform Workforce GPS, with a planned release of early 2015. The Department will deliver a significant portion of its technical assistance to states implementing WIOA through Workforce GPS. Lastly, the Department will continue to support the Disability Employment Initiative (DEI) with these funds. In FY 2015, the Department will competitively award grants to four to eight forward-thinking states to expand the participation of people with disabilities in career pathways systems and programs, and improve integrated services for people with disabilities in American Job Centers. The lessons learned and evidence 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 2014

The FY 2014 appropriation was \$60,153,000. 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. The Department also developed robust career information, industry competency models, and tools to support both self-service to individuals and use by career counselors in American Job Centers. That year's electronic tools featured more streamlined and customized information and online services for veterans including incorporating into all the electronic tools an enhanced military to civilian crosswalk. The Department also used these funds to maintain the current performance accountability systems, including adaptations to support more accurate reporting on services to veterans. Additionally, the

WORKFORCE INFORMATION/ELECTRONIC TOOLS/SYSTEM BUILDING

Department re-engineered the technical assistance platform Workforce3one, with a planned release of spring 2015.

In 2014, the Department awarded a fifth round of DEI state grants, with awards to six states. In 2014, the Department refined implementation of the DEI model to support people with disabilities advance along a career pathway, refined existing DEI strategies, and identified necessary changes in state policies, practices, and operating procedures to advance integrated approaches to employment goals for individuals with disabilities.

WORKFORCE INFORMATION/ELECTRONIC TOOLS/SYSTEM BUILDING

DETAILED WORKLOAD AND PERFORMANCE						
	2013		2014		2015	2016
	Target	Result	Target	Result	Target	Target
Workforce Information-Electronic Tools-System Building						
Strategic Goal 4 - Secure retirement, health, and other employee benefits and, for those not working, provide income security						
Strategic Objective 4.1 - Provide income support when work is impossible or unavailable and facilitate return to work						
* Number of CareerOneStop site visits (in millions)	24.50	--	25.00	--	25.50	--
* Site visits for CareerOneStop and O*NET (in millions)	54.50	--	55.00	--	61.00	--
Cost per site visit	\$0.36	--	\$0.35	--	\$0.32	--
Number of O*NET site visits (in millions)	30.00	--	30.00	--	35.50	--
Number of State of Local Workforce Investment Boards that become Employment Networks (ENs)	--	--	5	--	13	--
Number of assigned tickets to State or Local Workforce Investment Boards	--	--	200	--	372	--
Revenue to State or Local Workforce Board ENs for job placement of Social Security disability beneficiaries	--	--	\$20,000.00	--	\$302,085.00	--

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

WORKFORCE INFORMATION/ELECTRONIC TOOLS/SYSTEM BUILDING

Workload and Performance Narrative

Performance for the workforce information and electronic tools program is measured by the number of site visits to various electronic tools Web sites. Performance targets for FY 2015 are 25.5 million site visits for CareerOneStop Web sites and 35.5 million site visits for O*NET Web sites, for an estimated total of 61.0 million site visits.

The primary outputs of this funding are workforce information and the electronic delivery of information and personalized career exploration to job seekers. The Department is able to measure the number of Web site visitors who access information and services. The Department has chosen not to collect registration or private identifying information to access the site, and so does not able to collect data on how site visitors use these services or their later employment experience. The currently collected information on site visits reflects intermediate outputs rather than final outcomes.

A 2006 Government Accountability Office (GAO) study of employer use of American Job Centers found that employers reported that the services “saved them time and money.” Some 26 percent of employers surveyed use workforce information from American Job Centers (also known as One-Stop Career Centers), and virtually all found it “useful or very useful.” Since this GAO study, the Department has significantly enhanced its electronic services to employers and jobseekers; enhancements include the launch of the mySkills myFuture; My Next Move, My Next Move for Veterans, Mi Proximo Paso, CareerOneStop’s Veterans ReEmployment Portal tools, a specific Business Center tool, and a Job Description Writer step-by-step guide that incorporates O*NET data to enable employers to write descriptions for job postings to increase their prospects for finding and hiring a qualified applicant. A December 2013 GAO study surveyed selected Workforce Investment Boards on the information they use to identify available jobs and potential high-growth occupations. 89 percent of WIB respondents reported using state industry and occupational projections from the state labor market information office (funded by the workforce information grants in this section) and 80 percent reported it very or moderately useful. 77 percent reported using O*NET Online to a large or moderate large extent, and 83 percent reported that it was very or moderately useful. 41 percent reported using CareerOneStop/America’s Career InfoNet to a large or moderate extent and 66 percent reported that it was very or moderately useful for this purpose.

The steadily increasing traffic to the electronic tool Web sites over time demonstrates the ongoing demand for Web-based products and services. The data and workforce information disseminated through the sites is regularly refreshed with new and updated postings to ensure that the sites reflect changing skill requirements in the economy, and respond to various economic dislocations. Continuous improvement in customer service remains a top priority, and the Department utilizes multiple approaches to obtain customer feedback and input through the use of social media and other forms of interactive communication.

For the Disability Employment Initiative, the Department judges success through several standards. The Department monitors grantee performance regularly through Federal Project Officers in regional offices to ensure grantees are on target to meet performance goals. Such

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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.

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BUDGET ACTIVITY BY OBJECT CLASS					
(Dollars in Thousands)					
		2014	2015	2016	Diff. 2016 / 2015
11.1	Full-time permanent	0	0	0	0
11.9	Total personnel compensation	0	0	0	0
25.1	Advisory and assistance services	0	0	0	0
25.2	Other services from non-Federal sources	0	0	0	0
41.0	Grants, subsidies, and contributions	60,153	60,153	80,153	20,000
	Total	60,153	60,153	80,153	20,000

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CHANGES IN 2016 (Dollars in Thousands)

Activity Changes

Built-In

To Provide For:

Costs of pay adjustments	\$0
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Advisory and assistance services	0
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Other services from non-Federal sources	0
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Grants, subsidies, and contributions	0
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Built-Ins Subtotal	\$0
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Net Program	\$20,000
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Direct FTE	0
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	Estimate	FTE
Base	\$60,153	0
Program Increase	\$20,000	0
Program Decrease	\$0	0