

## Background

Passage of the Workforce Investment Act (WIA) in 1998 marked the first step in streamlining service delivery in the public workforce investment system. Still, however, the workforce investment system is a collection of heavily regulated programs micromanaged by Washington and, too often, disconnected from the local economy.

In 2003, President Bush put forth a proposal to enhance and simplify the workforce investment system's ability to deliver services and training. Unfortunately, the 108<sup>th</sup> Congress did not complete final action on WIA reauthorization. As a result, substantial reform remained unfinished.

In early April 2004, the President expanded upon his 2003 job training reform proposal in a speech at Central Piedmont Community College in Charlotte, N.C., and reiterated his job training and WIA reform principles during remarks delivered to Florida Community College in mid-January 2005. With the release of the Fiscal Year 2006 Budget, President Bush's goal to double the number of workers trained takes further shape through the promotion of legislation calling for greater flexibility in exchange for higher levels of accountability.

The 109<sup>th</sup> Congress has the opportunity to enact legislation that has the potential for lasting impact along the lines achieved following the revamping of the nation's welfare programs that occurred in the mid-1990s. WIA reauthorization and reform has the potential to take a historic turn from the social services model of dependence on government to an ownership pursuit of knowledge, skills, opportunities and work.

## Key Principles

The following principles spell out the Administration's WIA reauthorization package of 2005:

- **Increasing Flexibility.** The President proposes to provide greater flexibility to Governors and local officials in administering federal job training funds in exchange for greater accountability. The President's consolidated grant proposal combines four major job training and employment programs and their funding streams - WIA Adult, Dislocated Worker, and Youth programs and the Wagner-Peyser Employment Service program – into a single consolidated grant to states.
- **Strengthening Accountability.** While WIA did enhance accountability in the public workforce investment system, many issues remain. Reauthorization provides an opportunity to further strengthen and simplify the performance accountability system. Through reauthorization and reform, the Administration seeks to streamline and improve WIA performance provisions while establishing more meaningful incentives and sanctions.



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## WIA Reauthorization and Reform

- **Reducing Overhead.** While administrative costs are currently capped at 15% (5% at the state level and 10% at the local level), regulatory loopholes allow too many training dollars to be spent on overhead and non-training services, such as management studies, planning expenses, and travel. By eliminating unnecessary overhead and simplifying administration through the melding of job training and employment programs, the President proposes to save \$300 million, which can be used to train an additional 100,000 workers.
- **Creating a More Effective Governance Structure.** The Administration proposes strengthening State and Local Workforce Investment Boards by streamlining membership requirements. One-Stop partner programs will assume a stronger role on the State Board to ensure their investment in and commitment to the integrated service delivery system. Local Board membership would be streamlined to provide an increased voice for business representatives, community groups and worker advocates. Further, Governors will have the authority to designate their states as a single workforce investment area.
- **Strengthening the One-Stop Career Center System.** Dedicated One-Stop infrastructure funding will alleviate a great deal of the current local negotiation issues around operations and allow local areas to focus on what is most important – meeting the service needs of businesses and workers. The One-Stop system will be authorized to offer a wider range of services for low-wage workers and directed to remove barriers to serving targeted populations.

### New Components

Building on these five principles, the Administration's reauthorization package contains two new important provisions: Innovation Training Accounts and the WIA Plus Consolidated Grant Program.

**Innovation Training Accounts.** America's growing economy is an innovation economy. Two-thirds of America's economic growth in the 1990s resulted from the introduction of new technologies. A consequence of this country's technology-fueled growth is that skills gaps now exist. Not enough workers are being trained to take advantage of many of the excellent new jobs and promising career paths that lie ahead. The President proposes Innovation Training Accounts to provide workers ownership over the education and training they pursue.

Innovation Training Accounts will build upon the success of Individual Training Accounts that were established by the Workforce Investment Act of 1998. Early evaluations show that increasing a customer's ability to choose his/her training improves training program enrollment rates.

Individual Training Accounts were the first step away from the old system in which training decisions were made by case workers and too often depended on what training slots were available. The new system is designed to promote individual empowerment and market principles. Innovation Training Accounts increase customer choice by:



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- Allowing individuals to access a broad range of public and private training resources through a single, self-managed account.
- Authorizing longer-term training opportunities by acknowledging that many skills needed for today's jobs require more than just short-term attention and exposure.
- Providing access to improved labor market information to help individuals make training decisions based on what jobs are in demand in their local area.
- Holding training institutions accountable for results.
- Acknowledging the need for incumbent worker training in order for the current workforce to update their skills and advance their careers.
- Promoting the attainment of industry-recognized credentials and certifications to ensure that training meets the needs of business.

The Administration will seek to put Innovation Training Accounts into effect through reauthorization and reform of the Workforce Investment Act. Giving workers ownership over their future will empower them to prepare for 21<sup>st</sup> century careers.

**WIA Plus Consolidated Grant Program.** The current system of Federal job training programs is too complex, with multiple funding streams and various Federal, State and local bureaucracies. As a result, not enough of the available resources are used to provide skills training for workers, preparing them for the jobs of today or tomorrow. For too long, states and local communities have been hindered by archaic rules that make it difficult to train workers and respond quickly to economic downturns, natural disasters and shifts in industry skill needs.

The WIA Plus Consolidated Grants are the most important component of the Administration's proposal for reform and reauthorization of the Workforce Investment Act (WIA). This proposal builds on the President's call to consolidate four core Department of Labor job training programs and funding streams: WIA Adult, WIA Dislocated Worker, WIA Youth and Employment Services.

The WIA Adult, WIA Dislocated Worker, and WIA Youth programs and Employment Services will form the base of the consolidated program with nearly \$4 billion in resources. In addition, states will have the option of consolidating certain other Federal job training and employment programs that are currently administered by the Departments of Labor, Education and Agriculture. Federal resources for these other programs total about \$3.6 billion. Together, these programs represent \$7.5 billion in Federal resources.

By choosing to consolidate programs, states will be empowered to train more workers; design a job training program and service delivery system that trains workers for jobs in the 21<sup>st</sup> Century economy; rationalize the way they deliver related services; achieve better results; and reduce administrative overhead.

Participating states will submit a single State Integration Plan and will report through a single system. Program-specific requirements will be minimized. However, drops in participant levels for targeted populations, such as individuals with disabilities, will not be allowed.



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States will develop strategies to meet increasingly rigorous performance standards each year, leading to a goal of 100 percent placement in employment of the workers trained with grant resources. As part of their State Integration Plan, states will be required to develop benchmarks to track annual yearly progress towards that goal.

Job training institutions will be required to demonstrate that they are training individuals for jobs in demand and are ensuring graduates have the skills that employers need.

Meaningful incentive and sanction policies will be applied.

### **Conclusion**

The Administration will work with the 109<sup>th</sup> Congress to ensure the final WIA reauthorization bill contains these key components and reflects President Bush's principles for reform.

