

FY 2008

PERFORMANCE BUDGET

EMPLOYMENT AND TRAINING ADMINISTRATION

**State Unemployment Insurance and
Employment Service Operations**

EMPLOYMENT AND TRAINING ADMINISTRATION
State Unemployment Insurance and Employment Service Operations (SUIESO)

PERFORMANCE BUDGET

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**STATE UNEMPLOYMENT INSURANCE AND EMPLOYMENT SERVICE
OPERATIONS**

APPROPRIATION LANGUAGE

For authorized administrative expenses^{1/}, \$78,001,000, together with not to exceed \$3,220,752,000 which may be expended from the Employment Security Administration Account in the Unemployment Trust Fund (“the Trust Fund”), of which:

\$2,510,723,000 from the Trust Fund is for grants to States for the administration of State unemployment compensation laws as authorized under title III of the Social Security Act (including \$10,000,000 to conduct in-person reemployment and eligibility assessments in one-stop career centers of claimants of unemployment compensation), the administration of unemployment compensation for Federal employees and for ex-service members as authorized under sections 8501-8523 of title 5, United States Code, and the administration of trade readjustment allowances and alternative trade adjustment assistance under the Trade Act of 1974, and shall be available for obligation by the States through December 31, 2008, except that funds used for automation acquisitions shall be available for obligation by the States through September 30, 2010, and funds used for unemployment compensation workloads experienced by the States through September 30, 2008 shall be available for Federal obligation through December 31, 2008;

\$10,500,000 from the Trust Fund is for national activities necessary to support the administration of the Federal-State unemployment compensation system;

\$666,763,000 from the Trust Fund, together with \$22,016,000 from the General Fund of the Treasury, is for grants to States in accordance with section 6 of the Wagner-Peyser Act^{2/}, and shall be available for Federal obligation for the period July 1, 2008 through June 30 2009;

\$32,766,000 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, the administration of activities, including foreign labor certifications, under the Immigration and Nationality Act, and the provision of technical assistance and staff training under the Wagner-Peyser Act, including not to exceed \$1,228,000 that may be used for amortization payments to States which had independent retirement plans in their State employment service agencies prior to 1980;

\$55,985,000 from the General Fund is to provide workforce information, national electronic tools, and one-stop system building under the Wagner-Peyser Act and shall be available for Federal obligation for the period July 1, 2008 through June 30, 2009:

Provided, That to the extent that the Average Weekly Insured Unemployment (AWIU) for fiscal year 2008 is projected by the Department of Labor to exceed 2,629,000, 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:^{3/} 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 compensation or immigration programs, may be obligated in contracts, grants or agreements

with non-State entities: Provided further, That funds appropriated under this Act for activities authorized under title III of the Social Security Act and the Wagner-Peyser Act may be used by States to fund integrated Unemployment Compensation and Employment Service automation efforts, notwithstanding cost allocation principles prescribed under the Office of Management and Budget Circular A-87.

In addition, \$40,000,000 from the Employment Security Administration Account of the Unemployment Trust Fund shall be available to conduct in-person reemployment and eligibility assessments in one-stop career centers of claimants of unemployment compensation: Provided, That not later than 180 days following the end of the current fiscal year, the Secretary shall submit an interim report to the Congress that includes available information on expenditures, number of individuals assessed, and outcomes from the assessments: Provided further, That not later than 18 months following the end of the fiscal year, the Secretary of Labor shall submit to the Congress a final report containing comprehensive information on the estimated savings that result from the assessments of claimants and identification of best practices.^{4/}

Of the unobligated funds provided under this heading in Public Law 107-117 for emergency expenses, \$4,100,000 is hereby cancelled.^{5/}

Note. – A regular 2007 appropriation for this account had not been enacted at the time the budget was prepared; therefore, this account is operating under a continuing resolution (P.L. 109-289, Division B, as amended). The amounts included for 2007 in this budget reflect the levels provided by the continuing resolution.

STATE UNEMPLOYMENT INSURANCE AND EMPLOYMENT SERVICE OPERATIONS (SUIESO)

EXPLANATION OF LANGUAGE CHANGE

1/ Revisions to the statutory language of the State Unemployment Insurance and Employment Service Operations (SUIESO) account are intended to a) simplify and clarify the appropriations, b) reorder the appropriations by grouping the Unemployment Insurance (UI) related activities together and the Employment Service activities together, and c) clarify for each activity the amounts that are appropriated out of the Employment Security Administration Account of the Unemployment Trust Fund versus general revenues and the period of availability.

2/ Separate funding under the Wagner-Peyser Act to pay the costs of penalty mail for States is discontinued. Such costs will be paid by States from their general formula allotment.

3/ New language provides that states may use the funds appropriated under the SUIESO heading that are allotted to the States for administration of the unemployment compensation program to assist other states in administering their UI program when those 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.

4/ Language similar to the FY 2007 submission provides \$40 million to conduct eligibility reviews of UI claimants at One-Stop Career Centers. This is in addition to the \$10 million that is authorized for this activity in the base funding for State UI administration under the general appropriation in the first paragraph under the SUIESO heading.

5/ The \$4.1 million being cancelled are deobligated Emergency Response Funds that were provided to New York to restore its capacity to pay UI claims following the terror attacks of September 11, 2001, and later returned by the State as unneeded.

**STATE UNEMPLOYMENT INSURANCE AND EMPLOYMENT SERVICE
OPERATIONS (SUIESO)**

ANALYSIS OF APPROPRIATION LANGUAGE

Not Applicable.

STATE UNEMPLOYMENT INSURANCE AND EMPLOYMENT SECURITY OPERATIONS

AMOUNTS AVAILABLE for OBLIGATIONS

(Dollars in Thousands)

	FY 2006 Enacted		FY 2007 CR		FY 2008 Agency Request	
	FTE	Amount	FTE	Amount	FTE	Amount
A.	Appropriation (Amount shown in Appropriation Language)					
		\$125,312		\$119,454		\$78,001
		Reduction pursuant to (P.L. 109-148)		-\$1,253		
		Other Supplementals and Rescissions				
	0	\$124,059	0	\$119,454	0	\$78,001
	0	\$124,0591	0	\$119,454	0	\$78,001
		(adjusted)				
		Offsetting Collections From:				
		Reimbursements		\$10,000		\$10,000
		Trust Funds		\$3,234,098		\$2,576,312
		Fees				
		Transfer from General Fund to TES (Proposed Legislation)				-\$61,121
	0	\$3,254,098	0	\$3,244,098	0	\$2,525,191
		A.2) Subtotal <i>[positive entry]</i>				
B.	Gross Budget Authority [sum of A.1 and A.2]					
	0	\$3,378,157	0	\$3,363,552	0	\$2,603,192
		Offsetting Collections				
		Deduction: (all entries are negative)				
		Reimbursements		-\$10,000		-\$10,000
		Fees				
	0	-\$20,000	0	-\$10,000	0	-\$10,000
		B.1) Subtotal <i>[negative entry]</i>				
C.	Budget Authority [sum of B. and B.1]					
	0	\$3,358,157	0	\$3,353,552	0	\$2,593,192
	0	\$3,358,157	0	\$3,353,552	0	\$2,593,192
		Before Committee				
		Offsetting Collections From: <i>[all entries are positive]</i>				
		Reimbursements		\$10,000		\$10,000
	0	\$20,000	0	\$10,000	0	\$10,000
		C.1) Subtotal <i>[positive entry]</i>				
D.	Total Budgetary Resources					
	0	\$3,378,157	0	\$3,363,552	0	\$2,603,192
		Other Unobligated Balances		\$38,843		
		Unobligated Balance Expiring				
E.	Total, Estimated Obligations					
	0	\$3,417,000	0	\$3,363,552	0	\$2,603,192

STATE UNEMPLOYMENT INSURANCE AND EMPLOYMENT SECURITY OPERATIONS

SUMMARY OF CHANGES

(Dollars in Thousands)

	FY 2007 C.R.	FY 2008 Agency Request	Net Change
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Budget Authority

General Funds	119,453	16,880	-102,573
Trust Funds	3,234,099	2,576,312	-657,787
Total	3,353,552	2,593,192	-760,360

Explanation of Changes	FY 2007 Base		FY 2008 Change					
			Trust Funds		General Funds		Total	
	FTE	Amount	FTE	Amount	FTE	Amount	FTE	Amount
Increases								
A. Built-Ins:								
To provide for an increase in Unemployment Insurance State Administration for employer growth and claims workload.	2,497,770		12,953				12,953	
Built-Ins Subtotal	N/A		0	12,953	0	0	0	12,953
B. Program:								
To provide for an increase in Unemployment Insurance (UI)	9,900		600				600	
To provide for reemployment eligibility assessments in the UI State Administration	2,497,770		40,000				40,000	
Program Subtotal	N/A		0	40,600	0	0	0	40,600
C. Financing:								
Financing Subtotal	N/A		0	0	0	0	0	0
Total Increase	N/A		0	53,553	0	0	0	53,553

STATE UNEMPLOYMENT INSURANCE AND EMPLOYMENT SECURITY OPERATIONS

Explanation of Changes	FY 2007 Base		FY 2008 Change					
			Trust Funds		General Funds		Total	
	FTE	Amount	FTE	Amount	FTE	Amount	FTE	Amount
B. Program:								
To reflect a decrease in Employment Service Grants to States	715,883		-26,238		-866		-27,104	
To reflect a decrease in Foreign Labor Certification	13,013		-273				-273	
To reflect a decrease in TAT/SWA Retirement	2,738		-389				-389	
To reflect a decrease in Workforce Information/National Electronic Tools/System Building	74,008				-18,023		-18,023	
To reflect a decrease in Work Incentive Grants	22,563				-22,563	0	-22,563	
Program Subtotal	N/A		0	-26,900	0	-41,452	0	-68,352
C. Financing:								
To reflect transfer of ES Grants to States to Career Advancement Accounts carried in TES (Proposed Legislation)	715,883		-666,763		-22,016		-688,779	
To reflect transfer of WOTC to Career Advancement Accounts carried in TES (Proposed Legislation)	17,677		-17,677				-17,677	
To reflect transfer of Workforce Information/National Electronic Tools/System Building to Career Advancement Accounts carried in TES (Proposed Legislation)	74,008				-39,105		-39,105	
Financing Subtotal	N/A		0	-684,440	0	-61,121	0	-745,561
Total Decrease	N/A		0	-711,340	0	-102,573	0	-813,913
Total Change	N/A		0	-657,787	0	-102,573	0	-760,360

STATE UNEMPLOYMENT INSURANCE AND EMPLOYMENT SECURITY OPERATIONS

Summary Budget Authority by FTE¹
(Dollars in Thousands)

	FY 2006		FY 2007*		FY 2008			
	Enacted		C.R.		Current Law		Legislative Proposal	
	FTE	Amount	FTE	Amount	FTE	Amount	FTE	Amount
State UI and ES Operations (Discretionary)		3,358,157		3,353,552		3,338,753		2,593,192
Unemployment Insurance		2,507,670		2,507,670		2,561,223		2,561,223
State Administration		2,497,770		2,497,770		2,550,723		2,550,623
National Activities		9,900		9,900		10,500		10,500
Employment Service		749,311		749,311		721,545		15,089
Grants to States		715,883		715,883		688,779		0
National Activities		33,428		33,428		32,766		15,089
Foreign Labor Certification		13,013		13,013		12,740		12,740
TAT/SWA Retirement		2,738		2,738		2,349		2,349
WOTC		17,677		17,677		17,677		0
Workforce Info/National Electronic Tools/System Building		81,662		74,008		55,985		16,880
Work Incentive Grants		19,514		22,563		0		0

¹FY 2006 reflects enacted, not actual, levels.

The 2007 level is the assumed current rate under the terms of P.L. 109-289, as amended.

STATE UNEMPLOYMENT INSURANCE AND EMPLOYMENT SECURITY OPERATIONS

State UI and ES Operations (Discretionary)
Budget Authority By Object Class
(Dollars in Thousands)

	FY 2006 Enacted	FY 2007 C.R.	FY 2008		08 Agency Request/ 07 C.R.
			Current Law	Legislative Proposal	
23.3 Communications/Utilities & Misc.	110,128	121,034	0	0	-121,034
Subtotal: Rent, Comm. & Utilities	110,128	121,034	0	0	-121,034
41.0 Grants	3,248,029	3,232,518	3,338,753	2,593,192	-639,326
Subtotal	3,358,157	3,353,552	3,338,753	2,593,192	-760,360

STATE UNEMPLOYMENT INSURANCE AND EMPLOYMENT SECURITY OPERATIONS

SIGNIFICANT ITEMS IN FY 2007

APPROPRIATIONS COMMITTEES' REPORTS

Not applicable.

STATE UNEMPLOYMENT INSURANCE AND EMPLOYMENT SECURITY OPERATIONS
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APPROPRIATION HISTORY
STATE UNEMPLOYMENT INSURANCE AND EMPLOYMENT SERVICE
OPERATIONS
(\$ in thousands)

	<u>Budget</u> <u>Estimates to</u> <u>Congress</u>	<u>House</u> <u>Allowance</u>	<u>Senate</u> <u>Allowance</u>	<u>Appropriation</u>	
1998.....	3,604,928	3,478,928	3,461,928	3,494,928	<u>1/</u>
1999.....	3,383,573	3,314,573	3,279,573	3,292,630	<u>2/</u>
2000.....	3,506,773	3,141,740	3,358,073	3,213,780	<u>3/</u>
2001.....	3,389,198	3,097,790	3,249,430	3,453,494	<u>4/</u>
2002.....	3,788,712	3,774,712	3,804,712	3,698,556	<u>5/</u>
2003.....	3,697,143	3,618,903	3,618,903	3,607,380	<u>6/</u>
2004.....	3,646,783	3,615,381	3,620,552	3,656,544	<u>7/</u>
2005.....	3,593,434	3,582,848	3,636,235	3,636,709	<u>8/</u>
2006.....	2,716,830	3,470,366	3,361,779	3,358,157	<u>9/</u>
2007.....	3,435,717				<u>10/</u>
2008.....	2,593,192				

1/ Excludes the comparative transfer from the Training and Employment Services account and reflects a \$1,000,000 transfer to Departmental Management.

2/ Reflects a \$9,143,000 transfer to the following appropriations: \$5,000,000 to Departmental Management and \$4,143,000 to ETA Program Administration and excludes a comparative transfer to the Bureau of Labor Statistics (\$20,700,000).

3/ Excludes a comparative transfer to the Bureau of Labor Statistics (\$20,700,000) and a rescission of \$19,260,000.

4/ Includes a reduction from State Administration of \$360,000 pursuant to P.L. 106-554 and includes \$84,656,000 for the AWIU contingency trigger. Also includes \$3,500,000 for terrorist response.

5/ Reflects a reduction of \$311,000 pursuant to P.L. 107-116 and \$293,000 pursuant to P.L. 107-206. Includes \$293,722,000 for the AWIU contingency trigger. Includes \$4,100,000 for terrorist response.

6/ Reflects a transfer from ETA Training and Employment Services account of \$12,000,000; reflects a 0.65% across-the-board reduction pursuant to P.L. 108-7.

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

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

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

10/ Reflects the continuing resolution at the FY 2006 level pursuant to P.L. 109-289, as amended.

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(Dollars in Thousands)

	FY 2006 Enacted	FY 2007 C.R.	Difference FY 06 Enact FY 07 C.R.	FY 2008		Difference FY 07 C.R. FY 08 Req
				Current Law	Legislative Proposal	
Activity Appropriation	\$2,507,670	\$2,507,670	\$0	\$2,561,223	\$2,561,223	\$53,553
State Administration	\$2,497,770	\$2,497,770	\$0	\$2,550,723	\$2,550,723	\$52,953
National Activities	\$9,900	\$9,900	\$0	\$10,500	\$10,500	\$600

Introduction

The Federal-state Unemployment Insurance (UI) program, authorized by Title III of the Social Security Act (SSA), provides temporary, partial wage replacement between jobs to unemployed workers and helps to stabilize local economies where layoffs have occurred as well as the national economy. Research shows that, without UI, the gross domestic product would decline an additional 15% on average during recessions.

To be eligible for benefits, unemployed workers must have worked recently, be involuntarily unemployed, and be able to and available for work. Virtually all wage and salary workers are potentially eligible for benefits if they lose their jobs. During FY 2006, \$31.5 billion in state and Federal UI benefits was paid nationally to 7.5 million unemployed workers. UI benefits and administration are funded by Federal and state payroll taxes.

An integral part of the public workforce investment system, the UI program is the entry point for unemployed workers to One-Stop Career Center services that speed their return to work. Reemployment is key to maintaining workers' long-term economic security.

States administer the UI program directly and are responsible for establishing specific policies and operating methods that conform to the Federal Unemployment Tax Act (Chapter 23, Internal Revenue Code), Title III of the Social Security Act, and Federal regulations. The major functions performed by the states are: (1) determining benefit entitlement, (2) paying benefits, and (3) collecting state taxes from employers. Funding for these activities is provided in the "State Administration" line in the budget

The states also administer Federal programs for payments to former Federal military and civilian personnel; to claimants who qualify for extended or special Federal unemployment benefits; to

UNEMPLOYMENT INSURANCE

workers certified under the Trade Adjustment Assistance and Alternative Trade Adjustment Assistance programs; and to individuals unemployed due to disasters.

A second line in the budget, “National Activities,” provides funds to support the states collectively in administering their state UI programs. These activities include: (1) assisting states in applying common technology-based solutions to improve the efficiency and performance of their UI operations; (2) supporting the private telecommunications network which links state agencies for interstate and combined wage claims purposes and through which they obtain information necessary for Federal civilian and military claims processing; (3) , financing the purchase of standard hardware and software used by states to report critical economic and other data/reports to the Department electronically; (4) supporting training; and (5) contracting for actuarial support for state trust fund management.

The Federal role in this Federal-state cooperative relationship includes setting broad policy for the program, establishing performance measures and standards, providing technical assistance to states, monitoring state performance, ensuring conformity and compliance of state laws and operations with Federal law, and funding the cost of administering state and Federal UI laws. A recent example of the Federal presence in the UI program is the passage of P.L. 108-295 which required states to enact laws to close loopholes that allowed devious employers to avoid their fair share of Unemployment Insurance taxes. It also authorized state UI agencies access to National Directory of New Hire data to prevent/detect overpayments when individuals continue to claim benefits after returning to work. Both are key initiatives designed to advance the integrity of the program.

Five-Year Budget History

Unemployment Insurance State Administration

Fiscal Year	Funding (Dollars in Thousands)
2003	\$2,631,318
2004	\$2,608,653
2005	\$2,663,040
2006	\$2,497,770
2007	\$2,497,770

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**Unemployment Insurance National
Activities**

Fiscal Year	Funding (Dollars in Thousands)
2003	\$9,935
2004	\$9,876
2005	\$10,416
2006	\$9,900
2007	\$9,900

FY 2008

The FY 2008 request for UI State Administration is \$2,550,723,000, an increase of \$52,953,000 from the FY 2007 CR level of \$2,497,770,000. The FY 2008 request for UI National Activities is \$10,500,000—an increase of \$600,000 from the FY 2007 CR level— to be used to pay for anticipated cost increases related to information technology services that support electronic reporting of critical economic and program data by states to the Department.

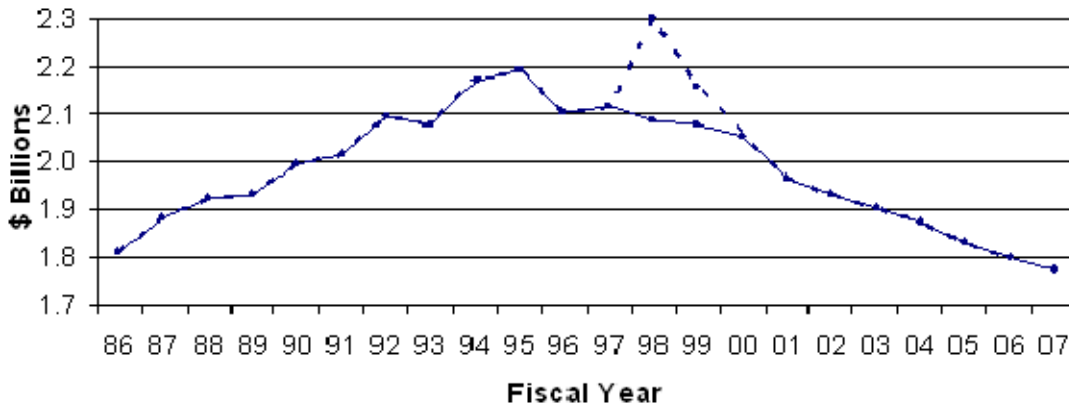
The funds requested are sufficient to process 2.629 million Average Weekly Insured Unemployment (AWIU) including processing benefit payments for the Trade Act of 1974, as amended. The states are expected to collect \$37.6 billion in state unemployment taxes and to pay an estimated \$34.5 billion in Federal and state UI benefits to 8.0 million beneficiaries, including former Federal military and civilian personnel, recipients of Federal-state extended benefits, and workers adversely affected by imports.

The request continues the contingency reserve language which provides for additional funds to meet unanticipated workload. The formula for FY 2008 finances \$28,600,000 per 100,000 increase in the total AWIU. In addition, the appropriation language for FY 2008 continues to allow states up to three years to obligate their UI funds if those funds are used for automation activities. Hence, states will have until September 30, 2010, to obligate funds used for automation.

Four issue papers are included with this submittal. One presents a legislative proposal (identical to that included in the President's Budget for FY 2007) that would give states new tools to reduce improper payments and to collect delinquent benefit overpayments and employer taxes. The second proposes changes to the SUIESO appropriation language to make it more easily understood. No resources are requested for these first two proposals or the fourth. The third issue paper explains the additional funds requested for Reemployment and Eligibility Assessments and the proposed budget cap adjustments. The fourth paper explains the proposed cancellation of unobligated balances.

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**Dollars per 2 million Average Weekly Insured
Unemployment (AWIU) Adjusted for Inflation
Dashed line displays inclusion of Y2K funds in FY98 and
FY99**



FY 2007

The FY 2007 CR level for State Administration is \$2,497,770,000 – identical to the FY 2006 appropriation. The FY 2007 CR level for UI National Activities is \$9,900,000 – unchanged from the FY 2006 appropriation.

The estimated funding level is sufficient to process 2.565 million AWIU including the processing of benefit payments for the Trade Act of 1974, as amended.

The states are expected to collect \$37.6 billion in state unemployment taxes and to pay an estimated \$32.2 billion in Federal and state UI benefits to 7.5 million beneficiaries, including former Federal military and civilian personnel, recipients of Federal-state extended benefits, and workers adversely affected by imports.

FY 2006

The FY 2006 appropriation provided \$2,497,770,000 for State Administration. During FY 2006 the state agencies collected \$35.9 billion in state unemployment taxes and paid \$31.5 billion in Federal and state unemployment benefits to 7.5 million beneficiaries. The amount appropriated for State Administration was \$124,729,000 below the request level and \$165,270,000 below the FY 2005 level for this activity. However, the reduction had no negative impact because actual workloads fell below the forecasted level.

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For FY 2006, \$9,900,000 was available for National Activities. This was \$516,000 below the request level, delaying needed technological enhancements to reporting and telecommunications systems and precluding new initiatives to address improper payments.

In FY 2006 states began operating matching systems with the National Directory of New Hires (NDNH) to prevent/detect improper payments to individuals who are working and claiming benefits simultaneously. Twenty-six State Workforce Agencies implemented access to NDNH through mid-December 2006. Initial results show significant increases in improper payments detected, debts established, and amounts recovered over those found, using only state new hire directories.

Also in FY 2006, states began implementing SUTA Dumping Detection Systems (SDDS) to identify employers who attempt to evade state unemployment taxes. The Department provided SDDS software and training to states in FY 2005 and 2006. Through mid-December, 40 states' systems are operational and another 13 states are at various stages in the development and implementation process.

[ETA - UI ADP Support-Equipment and Software](#)

UNEMPLOYMENT INSURANCE

UI WORKLOAD SUMMARY

(Dollars in Thousands)

	FY 2006 Enacted	FY 2007 C.R.	FY 2008	
			Current Law	Legislative Proposal
Unemployment Insurance				
Employer Tax Accounts	7,295	7,454	7,509	7,509
Initial Claims Taken	18,888	16,829	17,656	17,656
Weeks Claimed	152,290	130,050	134,677	134,677
Budget Activity Total	\$2,507,670	\$2,507,670	\$2,561,223	\$2,561,223

UI CHANGES IN 2008

(\$ in thousands)

Activity Changes		
Built-in		
To provide for:		
Workload Increase		5,664
Employer Growth		7,289
Total Built-in		12,953
Net Program		\$40,600
Direct FTE		
	Estimate	FTE
Base	\$2,520,663	
Program Increase	\$40,600	

UNEMPLOYMENT INSURANCE

**U.S. Department of Labor
Unemployment Insurance
Performance Budget Issue Paper
Revisions to State Unemployment Insurance and Employment Service Operations
(SUIESO) Appropriations Language**

Applicable Performance Goal: Performance Goal 4A – Make timely and accurate benefit payments to unemployed workers, facilitate the reemployment of unemployment insurance beneficiaries, and set up unemployment tax accounts promptly for new employers.

Requested Resources: None.

Rationale/Strategy and Performance Impact Related to Resource Increase: The SUIESO appropriation language is difficult to understand, and it is not clear on key pieces of information. For example, it does not explicitly state the amount appropriated for State Unemployment Insurance (UI) operations. We have rewritten the appropriations language to make it clearer and more understandable.

Concurrent with that effort, we propose the following two no-cost changes that will improve flexibility, efficiency, and disaster/emergency response:

- Give states incentives to minimize postage costs; and
- Give the Department and states flexibility to provide assistance to disaster-stricken states.

Devolve Postage Cost Management to States

Currently postage costs for state UI operations are paid by the ETA from funds withheld from state UI grants for this purpose. As a result, states have no financial incentive to implement cost saving measures such as presorting, use of postal discounts, or implementation of electronic transfer of funds or debit cards in lieu of sending checks for payment of benefits. Analysis reveals wide discrepancies in postal costs among states suggesting there may be some inefficiencies. By eliminating the practice of paying for postage costs and instead allocating the funds to states which could then benefit from any savings achieved, an incentive is created to conduct business more efficiently. This proposal will not reduce or increase Federal spending. However, it would disadvantage those states which continue inefficient practices while benefiting those which employ practices promoted by the Department and Postal Service.

Facilitate State-to-State Assistance in Disasters/Emergencies

In the aftermath of hurricanes Katrina and Rita, the ability of the Department and other states to assist the disaster-impacted states was hampered by certain restrictions on use of appropriated funds. First, the Department was prohibited from providing funds to volunteer states for assistance to disaster states, and second, states willing to volunteer services to help stricken states were prohibited from using their grant funds to do so. The prohibition is based on the requirements of Title III Sec. 302 (a) of the Social Security Act that funds allocated to states for administration are to be used solely for administration of their respective laws, not the law of

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another state. This meant that available funds had to be obligated to disaster states which then had to contract with volunteer states, placing additional administrative burdens on states which were already struggling with administrative difficulties arising out of the disaster. Hence authority is sought through appropriation language to permit: (1) the Department to obligate funds to states willing to volunteer assistance to disaster stricken states to cover the costs of providing that assistance, and (2) to permit states to expend federally granted funds in administering other states' UI laws.

Base Funding Level:

Base:

Estimate: \$0

FTE: N/A

Program Performance at Requested Level: No funds are requested. However, the proposals will improve financial management of state UI administrative grants and improve the timeliness of UI benefit payments following disasters.

Program Increase:

Estimate: \$0

FTE: N/A

Object Class (\$ in thousands):

Not applicable as no additional resources are requested.

UNEMPLOYMENT INSURANCE

**U.S. Department of Labor
Unemployment Insurance
Performance Budget Issue Paper
Unemployment Insurance Integrity and Innovation**

Applicable Performance Goal: Performance Goal 4A – Make timely and accurate benefit payments to unemployed workers, facilitate the reemployment of unemployment insurance beneficiaries, and set up unemployment tax accounts promptly for new employers.

Requested Resources: No resources are requested.

Rationale/Strategy and Performance Impact Related to Resource Increase:

1. Unemployment Insurance Integrity:

Reducing erroneous Unemployment Insurance (UI) benefit payments and unemployment tax evasion, and improving collection of overpayments and tax assessments are priorities for the Administration. In accordance with these priorities and the FY 2006 and FY 2007 budgets, the Department of Labor transmitted legislative proposals to improve program integrity to the Congress in June 2005 and May 2006. The following proposals included in the May 2006 transmittal to Congress are again proposed in the FY 2008 budget:

- **Allow a percentage of all recovered overpayments to be used for Benefit Payment Control (BPC) activities**

Under current Federal law, all overpayments collected by a state must be deposited in the state's unemployment fund where they may be used only for the payment of Unemployment Compensation (UC), (Sections 3304(a)(3) and (4) of the Federal Unemployment Tax Act and Sections 303(a)(4) and (5) of the Social Security Act.).

We propose to amend Federal law to *permit* states to use up to 5% of all overpayments recovered to augment administrative funding for Benefit Payment Control (BPC) activities. This 5% would be deposited in a special state fund where it could be used for this administrative purpose, if appropriated by the state legislature.

If states elected to use 5% of state UC overpayment recoveries for additional BPC activities, they would also be permitted to use 5% of overpayments collected under Federal programs such as UC for former Federal and military personnel and Temporary Emergency Unemployment Compensation in a similar manner.

This amendment would reduce overpayments and increase overpayment recoveries by \$84,000,000 over five years and \$228,000,000 over ten years.

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- **Allow states to permit collection agencies to retain a percentage of fraud overpayments and delinquent employer taxes recovered**

Several states have explored using private collection agencies to collect certain overpayments or delinquent employer taxes similar to what is done federally to collect debts due to the U.S. Government. One of the problems states have encountered is finding a way to pay the private agency's costs of collection, which can range up to 25% of the amount collected. As discussed above, Federal law requires 100% of amounts collected to be deposited in the state's unemployment fund, where it may be used only for the payment of UC.

To overcome this barrier to collections, Federal law would be amended to permit up to 25% of any amount collected by the collection agency on fraud overpayments or delinquent taxes to be retained by that agency. This would be permitted only when the state UC agency has (1) made its own collection efforts and (2) declared the amount uncollectible. Thus, the proposal applies to hard-to-collect debt that would not otherwise be collected.

Although the amendment would *permit* rather than require states to use collection agents, it should result in additional collections for otherwise hard-to-collect debt as it removes a significant barrier to the use of collection agencies.

This amendment would increase recoveries of benefit overpayments and delinquent taxes by \$118,000,000 over five years and \$319,000,000 over ten years.

- **Allow a percentage of certain tax payments to be used for tax integrity activities**

Under current Federal law, all taxes collected by a state must be deposited in the state's unemployment fund where they may be used only for the payment of UC. (Sections 3304(a)(3) and (4) of the Federal Unemployment Tax Act and Sections 303(a)(4) and (5) of the Social Security Act.)

States were given no additional Federal resources to enforce new state provisions required by the SUTA Dumping Prevention Act, which are intended to prohibit employer efforts to evade UC taxes. Indeed, during congressional hearings on SUTA Dumping, it became clear that states were not fully enforcing their current tax provisions. States often claimed lack of resources as the reason.

We propose to amend Federal law to *permit* states to deposit up to 5% of certain tax collections in a special state fund. The tax payments in question would be limited to those recovered following a state investigation and assessment of taxes owed. This would include a finding that SUTA dumping occurred, fraud was committed, or any other effort was made by the employer to evade taxes. Monies could be withdrawn from this special fund only for purposes of implementing the SUTA Dumping Prevention Act of 2004 or other provisions of state law relating to employer fraud or tax evasion.

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This amendment would increase recoveries of unpaid taxes by \$13,000,000 over five years and \$18,000,000 over ten years.

- **Require states to impose at least a 15% penalty on fraud overpayments, which could be used only for BPC activities**

Currently, all states impose penalties on employers who are delinquent in paying contributions. It makes sense to require states to impose a similar fine on individuals who have defrauded the system.

Individuals who commit UC fraud—a very small percent of all beneficiaries—are frequently required to do nothing more than repay the amount fraudulently received. While a limited disqualification from future benefits may be imposed, this limitation is meaningless if the individual goes back to work and remains employed. Although state laws provide for criminal penalties, cases are rarely prosecuted due to the relatively low dollar amounts involved.

Under this proposal, the Social Security Act would be amended to *require* states to impose a penalty of not less than 15% on fraud overpayments and to deposit any fines collected in a special state fund, where they may be withdrawn *only* for BPC activities. Appropriation by a state's legislature would not be required since the use of the money is limited to BPC activities.

The 15% figure represents an amount that both acts as a sufficient penalty and generates a reasonable amount of revenue. The proposal is limited to fraud overpayments to ensure that penalties will not be required when there was no fault or intent to deceive on the part of the claimant.

This amendment would reduce overpayments and increase overpayment recoveries by \$308,000,000 over five years and \$835,000,000 over ten years.

- **Prohibit states from non-charging employers when overpayments occur due to employer fault**

When UC is paid, the benefits are “charged” to an employer’s experience rating account, which generally means the employer’s tax rate will increase. However, employers may be relieved of charges when an overpayment is declared.

Employers sometimes fail to respond, or they provide inaccurate or late responses, to requests for information related to reasons their former employees were separated from employment. When this happens, erroneous payments may be issued based on the claimant’s statement. Following an employer protest, a re-determination or appeal may overturn the payment of benefits and establish an overpayment. If the employer had responded fully and timely, the overpayment would have been avoided, as well as any re-determination and employer appeal.

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To provide an incentive for more timely and complete responses, the experience rating provisions of Federal law would be amended to *prohibit* non-charging when the employer, including its agent, is at fault, even if the overpayment is eventually recovered. For example, an employer has not responded and a determination is issued paying UC. Following the late response, a re-determination is issued reversing the determination and establishing an overpayment. The employer would be charged for any UC paid for weeks prior to the re-determination, (the employer would still have incentive to supply information to avoid benefit payments—and charges—for future weeks). Note that the employer “fault” would need to be determined and part of this determination would be whether the employer has a pattern of failing to respond timely or adequately. Thus, under the proposal, employers could still be non-charged if, for example, the state agency sent the request for information to the wrong address.

This amendment would reduce overpayments by \$76,000,000 over five years and \$208,000,000 over ten years.

- **Intercept of Federal income tax refunds for recovery of UC overpayments, to collect unpaid state UC taxes, and to collect all associated penalties and interest.**

This proposal would authorize the U.S. Treasury Department to recover overpayments of UC benefits paid by state agencies, collect unpaid employer UC debts (i.e., unpaid UC taxes), and collect all associated penalties and interest through offset from Federal income tax refunds. The Treasury Offset Program (TOP) is a government-wide debt matching and payment offset system that works by matching a database of delinquent debts owed to various government agencies against Federal income tax refunds.

The Administration’s 2005 and 2006 budget proposals included provisions authorizing the U.S. Treasury Department to recover only overpayments of UC benefits paid by state agencies through offset from Federal income tax refunds. Both the National Governor’s Association (NGA) and the National Association of State Workforce Agencies (NASWA) passed resolutions encouraging the use of the TOP for recovering unpaid employer debt as well. In many cases, this involves an individual who has been held liable by states for UC tax liabilities incurred while operating as a solely-owned corporation. In some cases, such an individual will cease paying UC taxes when he/she is about to go out of business.

This amendment would increase overpayment recoveries and tax collections thereby contributing to state UC trust fund solvency and lower employer taxes.

This amendment would increase recoveries of benefit overpayments and delinquent taxes by \$1,630,000,000 over five years and \$3,421,000,000 over ten years.

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- **Require employer to report “start work date” to the Directory of New Hires.**

The state and National directories of new hires were established under Title IV-D of the Social Security Act for the purposes of locating individuals who were delinquent in paying child support.

States’ UC agencies have found the state directory of new hires to be extremely useful in identifying individuals who fraudulently claim UC benefits after they have returned to work. Recognizing this, the SUTA Dumping Prevention Act of 2005 granted state UC agencies access to the National Directory of New Hires, which allowed states access to a wider universe of employers, including Federal agencies and multi-state employers who may report all new hires to a single state.

The effectiveness of this system is limited because not all employers report the date when an individual actually started work. As a result, states must contact employers to determine the date the individual actually started work. In some cases, investigations may not be pursued because of the lack of this start date. The Department’s Office of Inspector General has recommended amendments to Federal law “to require employers to report a new hire's first day of earnings.”

Under the proposal, Title IV-D of the Social Security Act would be amended to require, as a condition of the state’s child support enforcement grant, that the date the individual starts work (that is, the first day of earnings) be reported by all employers to the state directory of new hires. The state directory would, as it already does when employers report these “start work” dates, transmit this information to the national directory.

This amendment would reduce overpayments and increase overpayment recoveries by \$54,000,000 over five years and \$149,000,000 over ten years.

2. Unemployment Insurance Innovation:

Accelerating reemployment of UI beneficiaries and improving the effectiveness of the administration of the UI program are priorities of the Administration. To this end, we propose legislation that would provide states with the opportunity to carry out innovative demonstration projects relating to the UI program that would assist in achieving these objectives. Specifically, we propose authorizing the Secretary of Labor to grant waivers requested by the states of certain Federal requirements in order to assist the states in implementing time-limited UI demonstration projects. Under our proposal, the following requirements could be waived:

- The requirements of FUTA and the Social Security Act (SSA) regarding the immediate deposit of monies received in the unemployment fund of each state into the Federal Unemployment Trust Fund.

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- The requirements of FUTA and the SSA that money withdrawn from the unemployment fund of the state solely be used for the payment of UC as defined by those Acts.
- The requirement of FUTA that the employer's contribution rate be assigned on the basis of experience and other factors directly related to unemployment risk.
- The requirement of the SSA that the state must provide for methods of administration that are reasonably calculated to insure full payment of UC when due, except that the Secretary may not waive any method of administration related to prompt determination and payment of claims or due process of law.

There will be no cost associated with this proposal. States would be required to assure that the demonstration would not result in any net costs to the state's unemployment fund compared to the outlays and revenues incurred or received by such fund over the period of the demonstration if the demonstration were not conducted.

Base Funding Level:

Base:

Estimate: \$0 FTE: N/A

Program Performance at Requested Level

Estimate: \$0 FTE: N/A

Object Class (In Thousands):

N/A

UNEMPLOYMENT INSURANCE

U.S. Department of Labor Unemployment Insurance Performance Budget Issue Paper Reemployment and Eligibility Assessments

Applicable Performance Goal: Performance Goal 4A – Make timely and accurate benefit payments to unemployed workers, facilitate the reemployment of unemployment insurance beneficiaries, and set up unemployment tax accounts promptly for new employers.

Requested Resources: The President’s Budget for FY 2008 proposes to make an additional \$40,000,000 available for Reemployment and Eligibility Assessments (REAs) to reduce improper payments of UI benefits.

Rationale/Strategy and Performance Impact Related to Resource Increase: Reducing erroneous Unemployment Insurance (UI) benefit payments remains an Administration priority, and both the Department’s Office of the Inspector General and the Government Accountability Office have recommended increasing focus on prevention efforts. A major cause of erroneous UI benefit payments is failure to meet state work search requirements. A number of studies have found that attention to eligibility and reemployment service needs assessments result in relatively shorter claims duration for beneficiaries. Also, UI data indicate that erroneous payment levels tend to be minimized by proactive eligibility reviews and reemployment needs assessments. The REA initiative was included in the FY 2007 President’s Budget as well.

Most unemployment claims are now filed by telephone or Internet. Scheduling periodic in-person reviews in One-Stop Career Centers of UI beneficiaries’ eligibility for benefits, including “able and available” work status, receipt of disqualifying and deductible income, and adequacy of job search efforts, would reduce UI overpayments as well as speed reemployment. In addition, these interviews offer an opportunity to verify the identity of beneficiaries when there is suspicion of possible identity theft. These interviews would also promote use of reemployment services available in One-Stop Career Centers to assist claimants to become reemployed sooner.

The \$40,000,000 budget increase would fund an additional 722,000 interviews which could be conducted in up to 34 more states or in expanded programs of participating states. It is estimated that this would result in annual trust fund savings of as much as \$205 million, based on a regression analysis of average UI duration across states that suggests that increasing the number of eligibility assessments by one percent of weeks claimed reduces average duration by about one-sixth of a week. This budget increase is expected to increase the percent of overpayments prevented or detected by 0.4 percent in FY 2008.

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Base Funding Level:

Base:

Estimate: \$10,000,000

FTE: N/A

Program Performance at Requested Level: The requested resources will result in an estimated trust fund savings of \$205 million. The expansion of REA initiatives will help address the major causes of erroneous UI benefit payments and also help speed reemployment of UI claimants. The REA expansion will result in a percentage of overpayments prevented or detected of 60.9 percent, up from the 60.5 percent target.

Program Increase:

Estimate: \$40,000,000

FTE: N/A

Object Class (\$ in thousands):

N/A

UNEMPLOYMENT INSURANCE

**U.S. Department of Labor
Unemployment Insurance
Performance Budget Issue Paper
Cancellation of Emergency Relief Funds**

Applicable Performance Goal: Performance Goal 4A – Make timely and accurate benefit payments to unemployed workers, facilitate the reemployment of unemployment insurance beneficiaries, and set up unemployment tax accounts promptly for new employers.

Requested Resources: The President’s Budget for FY 2008 proposes to cancel \$4.1 million in Emergency Relief Funds (ERF) provided to New York following the terrorist attacks of September 11, 2001.

Rationale/Strategy and Performance Impact Related to Resource Decrease:

Following the terrorist attacks of September 11, 2001, New York was provided emergency funds in two separate grants to help repair and replace damaged infrastructure of the State’s Unemployment Insurance system and to establish temporary claims taking sites where needed. The State did not expend any funds from the second grant of \$4.1 million as they could not be used for the intended purpose. Hence, the State requested the funds be returned to the federal government. In order to remove these de-obligated FY 2002 funds from the books of the Department, it is proposed they be canceled.

Base Funding Level:

Base: \$

Estimate: 0

FTE: N/A

Program Performance at Requested Level: This action has no impact on performance.

Program Decrease:

Estimate: 0

FTE: N/A

Object Class (\$ in thousands):

N/A

EMPLOYMENT SERVICE

(Dollars in Thousands)

	FY 2006 Enacted	FY 2007 C.R.	Difference FY 06 Enact FY 07 C.R.	FY 2008		Difference FY 07 C.R. FY 08 Req
				Current Law	Legislative Proposal	
Activity Appropriation	\$715,883	\$715,883	\$0	\$688,779	\$0	-\$715,883
Allotments to States	\$715,883	\$715,883	\$0	\$688,779	\$0	-\$715,883

Introduction

Under the Workforce Investment Act, the public Employment Service (authorized by the Wagner-Peyser Act) has evolved from a nationwide system of state-administered local employment offices to participating as a partner program in the integrated One-Stop delivery system for educating and employing a prepared workforce. States provide individuals with core One-Stop employment and workforce information services, which are accessible with staff assistance in One-Stop Career Centers as well as on-line. Individuals may access job search assistance, workforce and economic information, assessment and career guidance, job matching and referrals, as well as the broader range of WIA intensive and training services. Employers are also a primary customer as One-Stop Career Centers provide them with access to regional workforce and economic information, job listing services, referral of qualified applicants, support in applicant screening, support for job fairs and mass recruitments, tax credits for hiring targeted populations, and other customized services. These funds also support the One-Stop system's capacity to offer universal access to all customers.

The Performance Chapter describes the ways in which the Employment Service grants support the Department's strategic goals. Detailed performance data on the employment outcomes achieved by this program are also available there.

The Employment Service grants were assessed in 2004 using the Program Assessment Rating Tool (PART) process and rated as "Adequate." It found that the grants fund the inexpensive services many job seekers need but that its program design needs improvement because its services duplicate many of the core One-Stop services offered by the Workforce Investment Act's Adult and Dislocated Worker programs, creating costly and duplicative infrastructures that could serve both job seekers and employers far more efficiently. See the Performance Chapter for details on the Employment Service grants planned improvements.

EMPLOYMENT SERVICE

Five-Year Budget History**ES Grants to States**

Fiscal Year	Funding (Dollars in Thousands)
2003	\$791,557
2004	\$786,887
2005	\$780,592
2006	\$715,883
2007	\$715,883

FY 2008

The President's job training reform proposal would consolidate funds that have been separately appropriated for the Employment Service with funds appropriated for the WIA Adult, Dislocated Worker, and Youth Programs. These consolidated funds would be allocated to states as a single funding stream. States would use these funds to provide Career Advancement Accounts and core employment services to individuals in need of employment assistance. A portion of this funding would also be used by states to provide basic employment services such as assessments, career, workforce information, and job placement assistance. See the Budget Narrative on Career Advancement Accounts for additional information.

FY 2007

The Wagner-Peyser Employment Service program is expected to serve about 13,000,000 individuals in PY 2007. ETA will continue its strong focus on supporting the state and local workforce system in transforming it into a fully-integrated, flexible, and responsive service delivery system that supports communities in implementing innovative talent development strategies that enhance regional economic competitiveness. The Department continues to provide direction and technical assistance to states on enhancing the integration of Employment Service-funded activities and resources more seamlessly into the nation's One-Stop Career Center system, with the goals of eliminating duplication and inefficiency in service delivery, reducing infrastructure and administrative costs, and improving the quality and responsiveness of core service delivery to the diverse array of employer and job seeker customers served in the One-Stop system. ETA is pursuing multiple strategies to support state and local partners in utilizing Employment Service funding to develop and implement new workforce information, career guidance, and skill assessment strategies that better meet the needs of employers and workers in the 21st century economy and support both customer groups in making workforce decisions that position them for economic prosperity and career advancement.

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FY 2006

The Wagner-Peyser Employment Service program is expected to serve about 13,000,000 individuals in PY 2006. During this fiscal year, the Department continued to provide direction and technical assistance to the state and local workforce system to support a flexible, demand-driven, fully integrated workforce investment system focused on building the critical talent pool required for the 21st century innovation economy. States and local areas were strongly encouraged to eliminate duplicative system infrastructure, to develop integrated service delivery strategies for the wide array of populations served through the One-Stop delivery system, and to focus investments and service delivery on skills in demand in order to enable individuals to successfully access career pathways. In particular, the Department supported states and local areas in the development and implementation of core service delivery strategies, including the provision of comprehensive workforce and economic information and corresponding career guidance for individuals, critical components of assisting individuals in making informed education and training decisions and developing their skills for careers in high demand.

EMPLOYMENT SERVICE

WORKLOAD SUMMARY

(Dollars in Thousands)

	FY 2006 Enacted	FY 2007 C.R.	FY 2008	
			Current Law	Legislative Proposal
Employment Service				
Participants	13,000	13,000	12,500	0
Entered Employment	6,300	6,300	5,900	0
Cost per Participants	\$0.055	\$0.055	\$0.055	\$0
Budget Activity Total	\$715,883	\$715,883	\$688,779	\$0

ES GRANTS TO STATES CHANGES IN 2008

(\$ in thousands)

Activity Changes		
Built-in		
To provide for:		
Grants		
Total Built-in	\$0	
Net Program	-\$27,104	
Direct FTE		
	Estimate	FTE
Base	\$715,883	
Program Decrease	-\$27,104	
Transfer to Career Advancement Accounts - Carried in TES	-688,779	

EMPLOYMENT SERVICE

**U.S. Department of Labor
Employment Service Grants to States
Performance Budget Issue Paper
Employment Service Grants to States Decrease**

Applicable Performance Goal: Performance Goal 2C – Improve outcomes for job seekers and employers who receive One-Stop employment and workforce information services.

Requested Resources: The President’s 2008 job training reform proposal would consolidate the Employment Service with the WIA Adult, Dislocated Worker and Youth programs, and would allocate a single funding stream to States to be used for Career Advancement Accounts and core employment services. If this legislation is not enacted, the Administration requests \$688,779,000 for Employment Service grants to States.

Rationale/Strategy and Performance Impact Related to Resource Decrease: Today’s public workforce investment system is comprised of a maze of separate programs – each carrying its own statutory and regulatory requirements and managed through its own bureaucracy. WIA is the latest in a series of job training programs which were created to operate along side of the Employment Service program. These programs date back to the War on Poverty and the Great Society efforts of the 1960s. WIA’s predecessors include the Manpower Development and Training Act, the Comprehensive Employment and Training Act and the Job Training Partnership Act. A common thread running through this progression of legislation is a move towards local control, increased flexibility, less bureaucracy, and greater accountability.

The workforce investment system, as currently constituted, is ill-equipped to meet the training challenges brought on by the need for increased skills and competencies possessed by workers. This is due, in part, to a lack of program integration, which causes too much money to be spent on competing bureaucracies, overhead costs, and unnecessary infrastructure, and not enough on meaningful skills training that leads to job growth and economic prosperity.

For additional information on the Administration’s workforce investment system reforms, including Career Advancement Accounts, see the Budget Narrative and Issue Paper on Career Advancement Accounts.

Base Level Funding:

Base:

Estimate: \$715,883,000 FTE: 0

Program Performance at Request Level: No separate funding is requested for the Employment Service for FY 2008 under the Administration’s legislative proposal.

Program Decrease:

Estimate: -\$715,883,000 FTE: 0

Object Class (\$ in thousands): 0

FOREIGN LABOR CERTIFICATION

(Dollars in Thousands)

	FY 2006 Enacted	FY 2007 C.R.	Difference FY 06 Enact FY 07 C.R.	FY 2008		Difference FY 07 C.R. FY 08 Req
				Current Law	Legislative Proposal	
Activity Appropriation	\$13,013	\$13,013	\$0	\$12,740	\$12,740	-\$273
Permanent	\$0	\$0	\$0	\$0	\$0	\$0
H-1B	\$0	\$0	\$0	\$0	\$0	\$0
H-2B	\$6,006	\$6,006	\$0	\$5,886	\$5,886	-\$120
H-2A	\$7,007	\$7,007	\$0	\$6,854	\$6,854	-\$153
D-1/H-1B1/E-2	\$0	\$0	\$0	\$0	\$0	\$0

FOREIGN LABOR CERTIFICATION

Introduction

ETA administers several foreign labor certification (FLC) programs. Labor certification is generally the first step in obtaining an employment-based visa for either non-immigrant status or for permanent residence in the United States. FLC programs include the Permanent Labor Certification Program, H-1B Specialty (Professional) Worker Program, H-1B1 Specialty Worker Program, E-3 Specialty Worker Program, H-2A Temporary Agricultural Program, H-2B Temporary Non-agricultural Program, and D-1 Crewmember Program.

For FY 2008, the budget for the Foreign Labor Certification program activities totals \$73,121,000. This amount includes: \$12,740,000 in Employment Service National Activities funding; \$47,381,000 in Program Administration funding; and \$13,000,000 in anticipated revenues resulting from DOL's portion of the H-1B fees authorized under the H-1B Visa Reform Act.

Appropriations authorized from the SUIESO/National Activities account funds state responsibilities for processing of temporary labor certification applications under the H-2A agricultural and H-2B non-agricultural worker programs and for providing employers with

FOREIGN LABOR CERTIFICATION

prevailing wage determinations for the H-1B and Permanent (PERM) programs. In addition, upon request, SWA staff review private wage surveys and determine their validity and ascertain whether to accept the proposed wage from the private survey as the acceptable wage for the proposed position.

ETA, in cooperation with SWAs, determines whether there are U.S. workers available to meet the workforce requirements of employers requesting foreign workers prior to employers being approved to secure workers from international labor markets. In addition, when there are no available and qualified U.S. workers, employers who access international labor markets must take steps to protect the wages and working conditions of U.S. workers.

In the Permanent program, recent ETA regulatory reforms have significantly reduced the state role, eliminating what used to be duplicative state and Federal review and limiting state functions related to permanent labor certification to the calculation of prevailing wage determinations required to support employer applications for certification. For the temporary programs, however, foreign labor certification funding continues to support key state administrative and worker protection activities, including wage calculations and conducting surveys, select worker recruitment activities (in conjunction from other, non-FLC funding sources), and housing inspections.

Five-Year Budget History

Foreign Labor Certification	
Fiscal Year	Funding (Dollars in Thousands)
2003	\$30,930
2004	\$35,553
2005	\$44,144
2006	\$13,013
2007	\$13,013

FY 2008

The funds ETA provides to the SWAs for administering the “front-end” of the H-2A and H-2B programs are almost exclusively for personnel who accept applications and interact with employers, especially growers in the H-2A program. Similarly, funding will provide H-2B employers with timely processing of their applications.

These funds assist states in providing employers with prevailing wage determinations and wage survey reviews and decisions which are a required aspect of any foreign labor certification application and which also contribute to the protection of U.S. worker wages and benefits.

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The requested funding will maintain state personnel and their capacity to process applications in accordance with statutorily set processing times.

ETA will provide grants to meet state resource needs for the two temporary, non-immigrant programs administered by the states and funding for the prevailing wage determinations. ETA will also utilize performance and trend data to project future state share costs. The Department also plans to conduct a national SWA staff training session to provide specific training on conducting inspections, reviewing employer wage surveys, providing prevailing wage determinations, and conducting housing inspections.

FY 2007

The FY 2007 budget request continues the effort to improve foreign labor certification application processing efficiency. For example, ETA is working in partnership with SWAs to improve and enrich processing quality and speed through one-on-one technical assistance and broader, organized training.

In November 2006, ETA convened a national training conference for SWA staff. The several-day conference provided a unique opportunity for cross-fertilization and information-sharing – both between ETA and SWAs, and among SWAs – and covered numerous technical and

substantive issues that play a key role in the review and preparation of temporary labor certification applications in state offices.

FY 2006

The FY 2006 budget reflected the shift in funds from SUIESO/National Activities to ETA Program Administration to mirror the new allocation of responsibilities under the streamlined Permanent FLC program. The state role in the Permanent program was greatly reduced in FY 2005 by shifting that role (with exception of prevailing wage determination) to the Federal National Processing Centers in Atlanta and Chicago. The State Workforce Agencies retained the responsibility for administering the “front-end” of the H-2A and H-2B programs and all prevailing wage determinations.

FOREIGN LABOR CERTIFICATION

FOREIGN LABOR CERTIFICATION

(Dollars in Thousands)

	FY 2006 Enacted	FY 2007 C.R.	FY 2008	
			Current Law	Legislative Proposal
Foreign Labor Certification				
Carry-In, New Applications, Rebuttals, Remands	684,934	550,900	135,000	135,000
PERM Applications Processed	210,000	280,000	85,000	85,000
PERM Applications Remaining	205,000	0	50,000	50,000
H-1B Applications Processed	250,000	250,000	250,000	250,000
Budget Activity Total	\$13,013	\$13,013	\$12,740	\$12,740

CHANGES IN 2008

(\$ in thousands)

Activity Changes		
Built-in		
To provide for:		
Grants		
Total Built-in		\$0
Net Program		-\$273
Direct FTE		
	Estimate	FTE
Base	\$13,013	
Program Decrease	-\$273	

EMPLOYMENT SERVICE NATIONAL ACTIVITIES

(Dollars in Thousands)

	FY 2006 Enacted	FY 2007 C.R.	Difference FY 06 Enact FY 07 C.R.	FY 2008		Difference FY 07 C.R. FY 08 Req
				Current Law	Legislative Proposal	
Activity Appropriation	\$20,415	\$20,415	\$0	\$20,026	\$2,349	-\$18,066
TAT/SWA Retirement	\$2,738	\$2,738	\$0	\$2,349	\$2,349	-\$389
WOTC	\$17,677	\$17,677	\$0	\$17,677	\$0	-\$17,677

Introduction

The Employment Service National Activities appropriation provides funding to support Technical Assistance and Training (TAT) activities that build the capacity of the workforce investment system to provide critical core services such as career guidance and connecting businesses to the workers they need. These funds also finance unfunded liabilities in those states where independent retirement plans for State Workforce Agency employees were established prior to the introduction of state employee retirement systems. While waiting for Congress to reauthorize the Work Opportunity Tax Credit (WOTC) program, ETA provided guidance to the public workforce system via Training and Employment Guidance Letter (TEGL) 12-05. This guidance instructed the system to continue to take requests for certifications from employers, using existing funding. As part of the President’s job training reform proposal, funding for administration of the WOTC program would be moved from the Employment Service National Activity request to the Career Advancement Account line item.

Five-Year Budget History

TAT/SWA

Fiscal Year	Funding (Dollars in Thousands)
2003	\$3,557
2004	\$3,536
2005	\$2,976
2006	\$2,738
2007	\$2,738

EMPLOYMENT SERVICE NATIONAL ACTIVITIES

Work Opportunity Tax Credit

Fiscal Year	Funding (Dollars in Thousands)
2003	\$20,864
2004	\$19,882
2005	\$17,856
2006	\$17,677
2007	\$17,677

FY 2008

The funding requested for Employment Service National Activities supports technical assistance activities and contribute toward financing unfunded liabilities and independent state workforce retirement systems. Under the President's legislative proposal for job training reforms, the funding previously requested for the Work Opportunity Tax Credit will be consolidated with WIA Adult, Dislocated Worker, and Youth funding, along with funding for Employment Service Grants to states. If the reforms are not enacted, DOL requests \$17,677,000 for WOTC administration under current law.

FY 2007

The funding provided for Employment Service National Activities will support TAT activities and independent retirement system contributors and administration of the WOTC program.

FY 2006

Employment Service National Activities continue to provide TAT and finance the unfunded liability in independent state retirement systems share of SWA Retirement System payments in the current program year. The TAT investment is focused on the continued integration of the Employment Service with the other partner programs in the One-Stop Career Center system to reduce service and infrastructure duplication and increase efficiency. In particular, the Department is providing guidance and technical assistance to eliminate duplication in the provision of core services, and to ensure that Employment Service and One-Stop Career Center partners are coordinating their strategies for and delivery of comprehensive career guidance and workforce information. These core services are a critical component of assisting individuals in making informed education and training decisions and developing their skills for careers in high demand occupations.

EMPLOYMENT SERVICE NATIONAL ACTIVITIES

FLC WORKLOAD SUMMARY

(Dollars in Thousands)

	FY 2006 Enacted	FY 2007 C.R.	FY 2008	
			Current Law	Legislative Proposal
TAT/SWA Retirement				
N/A	N/A	N/A	N/A	N/A
Budget Activity Total	\$2,738	\$2,738	\$2,349	\$2,349

FLC CHANGES IN 2008

(\$ in thousands)

Activity Changes		
Built-in		
To provide for:		
Grants		
Total Built-in		\$0
Net Program		-\$389
Direct FTE		
	Estimate	FTE
Base	\$2,738	
Program Decrease	-\$389	

EMPLOYMENT SERVICE NATIONAL ACTIVITIES

WOTC WORKLOAD SUMMARY

(Dollars in Thousands)

	FY 2006 Enacted	FY 2007 C.R.	FY 2008	
			Current Law	Legislative Proposal
WOTC				
Participants	300,000	310,000	320,000	N/A
Cost per Participants	\$0.059	\$0.057	\$0.055	N/A
Budget Activity Total	\$17,677	\$17,677	\$17,677	\$0

WOTC CHANGES IN 2008

(\$ in thousands)

Activity Changes		
Built-in		
To provide for:		
Grants		
Total Built-in		-\$0
Net Program		-\$17,677
Direct FTE		
	Estimate	FTE
Base	\$17,677	
Program Transfer to CAA carried in TES	-\$17,677	

WORKFORCE INFORMATION/ELECTRONIC TOOLS/SYSTEM BUILDING

(Dollars in Thousands)

	FY 2006 Enacted	FY 2007 C.R.	Difference FY 06 Enact FY 07 C.R.	FY 2008		Difference FY 07 C.R. FY 08 Req
				Current Law	Legislative Proposal	
Activity Appropriation	\$81,662	\$74,008	-\$7,654	\$55,985	\$16,880	-\$57,128
Workforce Information/National Electronic Tools/System Building	\$81,662	\$74,008	-\$7,654	\$55,985	\$16,880	-\$57,128

Introduction

America’s workplaces and labor markets are changing rapidly as technology, innovation, and global competition continue to restructure industries, transform jobs, and redefine paths to employment qualification. Ensuring a competitive workforce in the 21st century economy requires new and innovative approaches to workforce education and development.

To ensure that America’s workers are able to successfully and independently navigate their careers, the Department of Labor has created services, electronic tools (E-Tools), and information focused on the high growth, high demand jobs of today and the future. E-Tools are also available to present industry-defined skills, competencies, and credentials needed to be successful in those jobs, and to provide the workforce investment and education systems with the capacity to work collaboratively with business and industry to develop workforce solutions that grow local, state, and national economies. These tools are critical to youth and transitioning adults as they make decisions regarding their workforce preparation and careers and to the workforce and human resource professionals who provide career guidance. These tools will also be important resources in implementing Career Advancement Accounts (CAAs), described in the CAA budget narrative, to access the education and training needed to successfully enter, navigate, and advance in 21st century jobs.

This budget line supports investments in information, tools, and infrastructure development for the workforce investment system to achieve these goals. These investments change over time as a result of technology and as new strategic approaches are identified and developed. However, the investments generally fall in the following categories:

- **Tools and activities to provide career information on in-demand occupations and high-growth industries coupled with career guidance to youth and adults** (America’s Career Information Network, Career Voyages, and the Occupational Information Network [O*NET]).

WORKFORCE INFORMATION/ELECTRONIC TOOLS/SYSTEM BUILDING

- **Tools and activities to provide economic, workforce, and labor market information and data to strategically drive the investments in talent development to transform regional economies** (America’s Career Information Network, O*NET, Workforce Investment Streamlined Performance Reporting System, and national strategies and tools for aggregating and integrating workforce and labor market information)
- **Tools that support self-service options for customers to drive talent development by providing information on high-growth occupations, post-secondary educational opportunities for lifelong learning, and the workforce investment system** (America’s Career Information Network, Career Voyages, America’s Service Locator, and the Toll-Free Help Line)
- **Infrastructure underpinning workforce information, skill assessment, and performance management to support talent development** (O*NET data collection and analysis and the Wage Record Interchange System)
- **System building activities to help workers successfully compete in a global economy and obtain employment in high skill and high wage opportunities.** (Workforce³One—a dynamic Web site and learning tool, investments to strengthen the role of community and faith-based organizations in workforce development, and other system building activities)

Five-Year Budget History

**Workforce Information/National
Electronic Tool/System Building**

Fiscal Year	Funding (Dollars in Thousands)
2003	\$99,350
2004	\$98,764
2005	\$97,974
2006	\$81,662
2007	\$74,008

FY 2008

Key areas of emphasis for PY 2008 are as follows:

Improve Provision of Career Information and Guidance on In-Demand Occupations and High Growth Industries – The Department intends to continuously develop and implement new strategies for the provision of career information and guidance, which becomes even more critical with the movement towards a customer-driven approach to workforce and talent

WORKFORCE INFORMATION/ELECTRONIC TOOLS/SYSTEM BUILDING

development. Existing tools will be expanded and modified to better enable users' access to career information to help them pursue high skill and high wage opportunities through informed career choices using self-service tools.

Continue Collaboration with Business and Industry – Through collaboration with industry partners, the Department will keep industry-driven competency models for high growth, high demand industries up-to-date in an environment of rapidly emerging and changing jobs and disseminate information on changing industry skill needs. This information will provide the workforce investment system and our business, education, and economic development partners with the foundation for strategic investment decisions to transform their regional economies, as well as inform services and lifelong learning decisions for individual workers.

Connect Customers to the Workforce Investment System – The Department will continue to operate America's Career Information Network, America's Service Locator, and the Toll-Free Help Line to allow businesses, the educational and economic development systems, and individuals to better connect to the workforce investment system, enabling the strategic partnerships necessary for a competitive workforce in the 21st century economy.

Maintain Critical Infrastructure – The Department will continue to maintain and upgrade important infrastructure resources, including supporting updates to the Wage Record Interchange System, which is critical to assess the performance of employment and training programs, and the operation of Workforce Investment Streamlined Performance Reporting (WISPR) for data collection and reporting. The O*NET project will conduct research and work with partners to document the impact of technological change on occupational skill requirements. In addition, the O*NET data collection effort will complete the full updating of O*NET-SOC (Standard Occupation Classification) occupational competency profiles based on a survey of incumbent workers. This project will update competency profiles for selected in-demand occupations each year and obtain information on new and emerging occupations in high-growth industries.

Support Base Realignment and Closures (BRAC) and Workforce Innovation in Regional Economic Development (WIRED) – Investments will continue to adapt and refine the national electronic tools and strategies that support regional economic analysis and service delivery models for communities in transition. Much of this work will center on BRAC impacted communities and those regional economies receiving WIRED grants from DOL to transform how public investments support talent development in regional economies.

Continue Important System-Building Strategies – The Department will continue to support activities that enhance the capacity of the workforce investment system, such as the sharing of innovative practices around demand-driven talent development strategies in support of regional economic competitiveness through the Workforce³One Web site, and continuing to develop an expanded set of strategic partnerships with community colleges, the economic development community, faith and community-based organizations, foundations, and other Federal agencies.

WORKFORCE INFORMATION/ELECTRONIC TOOLS/SYSTEM BUILDING

Funding for Development, Enhancement, and Dissemination of Workforce Information Products, Services, and Tools – In PY 2008, funding for these activities will be through the consolidated grants to states, which also supports the Career Advancement Accounts. These investments are critical to states, local areas and regions for economic analysis, talent development, and investment decision-making. They also support development of standardized information that is the foundation for America's Career Information Network.

All investments and strategies contribute to the workforce investment system's efforts to improve the employment, retention and earnings of individuals served by the system

FY 2007

Key areas of emphasis for 2007 are similar to those activities proposed in 2008 and are as follows:

Improve Provision of Career Information and Guidance – The Department intends to continuously develop and implement new strategies for provision of career information and guidance, critical in a customer-driven approach to workforce and talent development. This includes guidance to the system on effective use of assessment tools in the career guidance and service delivery process.

Continue Collaboration with Business and Industry – Through collaboration with industry partners, competency frameworks to drive talent development continue to be developed, updated, and disseminated for each of the major high-growth, high-demand industry sectors. This information provides the workforce investment system and our business, education, and economic development partners with the foundation for investment decisions to transform their economies, as well as inform service delivery decisions for individual workers.

Connect Customers to the Workforce Investment System – The Department continues to operate and make enhancements as feasible to America's Career Information Network, America's Service Locator, and the Toll-Free Help Line to allow businesses, the educational and economic development systems, and individuals to better connect to the workforce investment system, enabling the strategic partnerships necessary for a competitive workforce in the 21st century economy.

Maintain Investments in Critical Infrastructure – The Department continue to maintain and upgrade important infrastructure resources. For example, the Department is supporting the enhancement of the Wage Record Interchange System and continue its development and operation of WISPR. The O*NET data collection continues to update occupations with current information obtained from incumbent workers and document the impact of technological change on skill requirements to better inform talent development for the 21st century global economy. The Department is also beginning to efficiently capture information on newly emerging and rapidly changing in-demand occupations.

WORKFORCE INFORMATION/ELECTRONIC TOOLS/SYSTEM BUILDING

Continue Focus on BRAC and WIRED – The Department continues to focus on supporting transitioning regional economies by adapting and refining the national electronic tools and strategies that support economic analysis and service delivery models for communities in transition. This work includes a focus on BRAC impacted communities and those regional economies that are receiving WIRED grants from the Department.

Continue Important System-Building Strategies – The Department continues to support activities that enhance the capacity of the workforce investment system, such as the sharing of transformational practices around demand-driven talent development strategies in support of regional economic competitiveness through the Workforce³One Web site. The Department also continues to develop an expanded set of relationships with community colleges, the economic development community, faith- and community-based organizations, foundations, and other Federal agencies.

Develop, Enhance, and Disseminate Workforce Information Products, Services, and Tools – These activities support states, local areas, and regions for economic analysis, talent development, and investment decision-making. They also support development of standardized information that is the foundation for America's Career Information Network.

FY 2006

Key areas of emphasis for PY 2006 were as follows:

Emphasis on Career Guidance – Career guidance continued to be a focal point in PY 2006, including continuous engagement of business and industry to ensure products and information were up-to-date and relevant. This effort included management of electronic tools such as Career Voyages (www.careervoyages.gov) and America's Career InfoNet (www.acinet.org), the use of print materials, and the development of key strategic partnerships for dissemination of information, such as the National Parent Teachers Association.

Furthering the Competency Model Initiative – The Department worked with the 14 industry sectors in the President's High Growth Job Training Initiative to develop and agree to a competency model framework, the foundation for further work by industries in fleshing out standards and tools for assessment and for work by educational institutions in the development of curriculum. The Department also developed a database of competency models resources to be made available through America's Career InfoNet. Work on the competency model framework continued with additional industry sectors, including retail and financial services. In addition, enhancement of the competency model clearinghouse and database continued and work began on a communication strategy to alert key audiences to the availability of the information.

Phase Out of America's Job Bank (AJB) – This budget line previously supported a significant investment in AJB, one of the first successful national job banks in the country. In light of the

WORKFORCE INFORMATION/ELECTRONIC TOOLS/SYSTEM BUILDING

emergence of a wide array of private sector job banks that are free to job seekers and the advent of state job banks that are easily accessible from anywhere via the Internet, the Department has determined that it is no longer appropriate to maintain the Federal investment in AJB. The Department assisted the workforce system to manage a successful phase-out of the job bank in 2006.

Invest in Critical Infrastructure – The Department continued to maintain and upgrade important infrastructure resources. For example, resources were dedicated for the continued maintenance of the Wage Record Interchange System. In addition, new data management systems were developed in support of ETA’s proposed new integrated reporting system, WISPR. Also, O*NET data collection was updated to provide current information on at least 100 occupations and additional information on the impact of technological change on skill requirements.

Focus on BRAC, WIRED, and WITS – There was continued focus on supporting regional economies by adapting and refining the national electronic tools and strategies that support economic analysis and service delivery models for communities in transition. This work initially centered around BRAC-impacted communities and those regional economies that received WIRED grants from the Department. The National Electronic Tools was also leveraged to provide essential elements for the next iteration of workforce information—the Workforce and Innovation Technical Solution (WITS) tool, a comprehensive, integrated economic analysis tool.

Funding for Development, Enhancement, and Dissemination of Workforce Information Products, Services, and Tools – Funding for these activities supported states, local areas and regions in economic analysis, talent development, and investment decision-making. They also support development of standardized information that is the foundation for America’s Career Information Network.

Expansion of Workforce³One – Workforce³One is an interactive Web-based tool designed to promote system transformation by offering learning opportunities on innovative, demand-driven talent development strategies in support of regional economic competitiveness. Targeting the workforce system, the education community, business and industry, and economic developers, the Web site is a repository and platform to roll out key products such as those developed through the High Growth Job Training Initiative, the Community-Based Job Training Initiative, and WIRED. The Department continued to build the resources available through Workforce³One, including a wide array of Web-based information as well as virtual learning events such as webinars and podcasts.

WORKFORCE INFORMATION/ELECTRONIC TOOLS/SYSTEM BUILDING

WORKLOAD SUMMARY

(Dollars in Thousands)

	FY 2006 Enacted	FY 2007 C. R.	FY 2008	
			Current Law	Legislative Proposal
Workforce Information/National Electronic Tools/System Building				
Number of Page Views	TBD	TBD	TBD	TBD
Budget Activity Total	\$81,662	\$74,008	\$55,985	\$16,880

CHANGES IN 2008

(\$ in thousands)

Activity Changes		
Built-in		
To provide for:		
Grants		
Total Built-in	\$0	
Net Program	-\$18,053	
Direct FTE		
	Estimate	FTE
Base	\$74,008	
Program Decrease	-\$18,053	
Program Transfer to CAA carried in TES	-\$39,105	

WORKFORCE INFORMATION/ELECTRONIC TOOLS/SYSTEM BUILDING

U.S. Department of Labor

Workforce Information/National Electronic Tools/System Building

Performance Budget Issue Paper

Workforce Information/National Electronic Tools/System Building Decrease

Applicable Performance Goal: Performance Goal 2E – Build a demand-driven workforce system by increasing the accessibility of workforce information through the National Electronic Tools.

Requested Resources: \$16,880,000 is requested for FY 2008, a \$57,128,000 decrease from FY 2007. This decrease is the result of \$39,105,000 in funding being redirected for use in support of Career Advancement Accounts under the President’s job training reform proposal and a \$18,023,000 decrease in funding for support at the national level. If the job training reform legislation is not enacted, \$55,985,000 is requested under current law.

Rationale/Strategy and Performance Impact Related to Resource Decrease: There are two key factors influencing the request for a funding decrease in FY 2008. First, \$39,105,000 of this line item will be included in the President’s job training reform proposal to support Career Advancement Accounts and core employment services. Second, the Department continues to identify efficiencies in the development and operation of the electronic tools and other activities supported through this line item.

Base Level Funding:

Base:

Estimate: \$74,008,000

FTE: N/A

Program Performance at Request level: The request provides the funding necessary to create services, tools, and information focused on the high growth, high demand jobs of today and the future. These tools identify industry defined skills, competencies and credentials needed to be successful in those jobs. They all provide the workforce investment and education systems with the capacity to work collaboratively with business and industry to develop workforce solutions that grow our local, state, and national economies.

Performance outcomes at the request level are as follows:

- The number of page views on America’s Career InfoNet will increase by 2% over the PY 2005 baseline.
- The dissemination of O*NET data to the public will increase by 50% over the PY 2003 baseline, as measured by site visits.
- The number of page views on Career Voyages will increase by 10% over the PY 2005 baseline.

Program Decrease:

Estimate: -\$18,023,000

FTE: N/A

Program Transfer: -\$39,105,000 to be transferred to Training and Employment Services for Career Advancement Accounts under the legislative proposal.

WORK INCENTIVE GRANTS

(Dollars in Thousands)

	FY 2006 Enacted	FY 2007 C.R.	Difference FY 06 Enact FY 07 C.R.	FY 2008		Difference FY 07 C.R. FY 08 Req
				Current Law	Legislative Proposal	
			Activity Appropriation	\$19,514	\$22,563	\$3,049
Work Incentive Grants	\$19,514	\$22,563	\$3,049	\$0	\$0	-\$22,563

Introduction

According to the 2000 U.S. Census, approximately 33 million people ages 16-64, or 18.6 percent of the U.S. working age population, have a disability. People with disabilities continue to have high unemployment (approximately 70 percent) and under-employment rates. Preparing a competitive workforce for the 21st Century means imparting new skills to a diverse workforce that includes people with disabilities, while being demand-driven, and responding to employers' recruitment and retention needs. ETA administers the Work Incentive Grants (WIG) to increase the labor force participation and career advancement of persons with disabilities. ETA has been working to transform the culture of how the One-Stop Career Center system serves customers with disabilities by: 1) promoting meaningful and effective access, both physical and programmatic, to the One-Stop-Career Center system; 2) conducting outreach to the disability community; 3) establishing linkages to employers to increase job opportunities; and 4) establishing a seamless, integrated workforce system for job seekers with disabilities.

Based on the lessons learned under earlier grants, ETA is currently directing WIG funds to the hiring of Disability Program Navigators (DPNs). Navigators expand the capacity of One-Stop staff to better serve job seekers with disabilities and improve comprehensive service delivery within One-Stop Career Centers.

The DPN initiative evolved, in part, through ETA's experience with WIG grantees where funds were used to hire disability program specialists to improve and enhance their One-Stop Career Center services. It became evident that establishing such positions was the most effective means of achieving the overall goals of the WIG's to increase employment, employability and career advancement for individuals with disabilities. The DPN initiative grew out of a joint initiative with the Social Security Administration (SSA) to fund, implement, pilot, and evaluate DPN positions within the One-Stop Career Center system to assure that Supplemental Security Income (SSI) and Social Security Disability (SSDI) recipients have ready access to work incentive information and access to the employer community.

WORK INCENTIVE GRANTS

DPNs have proven successful in providing information that enables the One-Stop Career Center staff to assist jobseekers in overcoming employment barriers. The DPN is also an important catalyst in increasing participation of the One-Stop Career Center system in programs and services available through the Ticket to Work and Work Incentives Improvement Act, as well as being instrumental in training workforce staff on other SSA and Centers for Medicaid and Medicare Services work incentives (e.g., Medicaid Buy-In, Medicaid Infrastructure Grants) that facilitate the ability of people with disabilities to successfully obtain and retain employment.

The DPN grant awards have been made to 31 states since PY 2003 to support approximately 500 Navigators in their local workforce investment areas. ETA plans to award DPN grants to the remaining interested states and territories during PY 2006, thereby achieving national coverage and expertise of the Navigator role through PY 2008 in some local workforce areas.

The Performance Chapter describes the ways in which the Work Incentive Grants have supported the Department's strategic goals. Detailed performance data on the employment outcomes of persons served by this program are also available there.

The Work Incentive Grants program was assessed in 2005 using the Program Assessment Rating Tool (PART) process and was rated as "Adequate." It found that grantee accountability has improved over the last few years by changing to renewable grants that allow corrective actions to improve performance before a grant expires. A shift in emphasis toward DPNs has led to the training of One-Stop staff to more effectively serve people with disabilities the program. However, greater knowledge of the program's effectiveness will not be available until the current set of employment outcome measures have been in place for a few more years and until an independent program evaluation is conducted. See the Performance Chapter for details on the Work Incentive Grants' planned improvements and outcomes.

Five-Year Budget History

Work Incentive Grants	
Fiscal Year	Funding (Dollars in Thousands)
2003	\$19,870
2004	\$19,753
2005	\$19,711
2006	\$19,514
2007	\$22,563

WORK INCENTIVE GRANTS

FY 2008

No budget authority is requested for the Work Incentive Grants in FY 2008. Several years of Work Incentive Grants have successfully demonstrated approaches to improve the accessibility to One-Stop services for job seekers with disabilities. States and localities are now expected to finance these approaches through their base resources or other Federal, state or local funding. ETA is also working closely with states on potential sustainability options and opportunities to incorporate a “navigator” role and disability expertise into their on-going delivery structure

FY 2007

The Department did not request budget authority for the Work Incentive Grants in FY 2007. However, the continuing resolution provides funding for the program at the FY 2006 level, taking into account carry-over balances.. Sustainability of the activities related to the DPN grants awarded with PY 2005 or 2006 funds will be the primary focus of FY 2007 investments along with continued funding for the most effective initial grantees.

FY 2006

The following major activities are underway in FY 2006:

1. Providing training and orientation for DPN state leads from 14 new states to facilitate implementation of the DPN initiative based upon lessons learned and to assure cross-training between states and their local Navigators.
2. Issuing a solicitation to the remaining 22 states and territories to expand the DPN initiative to their state and local workforce investment areas for a two year period utilizing PY 2006 WIG funds.
3. Incorporating effective practices and appropriate websites into ETA’s Career InfoNet that have been established through the DPN initiative.
4. Developing a DPN toolkit to disseminate awareness of existing services and supports to the workforce and business communities.
5. Leveraging the DPN system to disseminate ETA’s Youth Vision and implementation down to the state and local level.
6. Promoting strategies in DPN states to transition from direct grant funding to self-sustaining Navigator activities.

WORK INCENTIVE GRANTS

7. Providing training to approximately 300 new Navigators hired through grants issued in June 2006 and to be established through grants to the remaining states.

8. Working with the Social Security Administration to facilitate demonstration designs that incorporate the workforce system and leverage DPN expertise to improve employment outcomes for disability beneficiaries.

WORK INCENTIVE GRANTS

WORKLOAD SUMMARY

(Dollars in Thousands)

	FY 2006 Enacted	FY 2007 C.R.	FY 2008	
			Current Law	Legislative Proposal
Work Incentive Grants				
Participants	15,104	17,464	0	0
Number of Grants	20-30	20-30	0	0
Dollar Amount of Grants Awarded	\$1,000	\$1,000	\$0	\$0
Cost Per Participant	\$1.292	\$1.292	\$0.00	\$0.00
Budget Activity Total	\$19,514	\$22,563	\$0	\$0

CHANGES IN 2008

(\$ in thousands)

Activity Changes		
Built-in		
To provide for:		
Grants		
Total Built-in		
Net Program		-\$22,563
Direct FTE		
	Estimate	FTE
Base	\$22,563	
Program Decrease	-\$22,563	

WORK INCENTIVE GRANTS

**U.S. Department of Labor
Work Incentive Grants
Performance Budget Issue Paper
Work Incentive Grants Decrease**

Applicable Performance Goal: Performance Goal 2P – Address worker shortages through Work Incentive Grants.

Requested Resources: No funding is requested for Work Incentive Grants in FY 2008.

Rationale/Strategy and Performance Impact Related to Resource Decrease: ETA administers the Work Incentive Grant (WIG) program to increase the labor force participation and career advancement of persons with disabilities. The foundation of the WIG program involves the provision of funds to state workforce agencies or state and local workforce areas which, in partnership with disability providers and community-based organizations, promote full and universal access to job training and related services available in One-Stop Career Centers for individuals with disabilities. The WIGs were initiated in PY 2000.

Through PY 2005, WIG funds were directed to support ETA's Disability Program Navigator (DPN) initiative, providing staff expertise on disability and workforce issues at the state and local workforce systems level. In PY 2006 ETA is expanding the DPN initiative nationwide with support to all states. The Navigators have successfully demonstrated approaches that transform the culture of how the One-Stop Career Center system serves customers with disabilities by: 1) promoting meaningful and effective access, both physical and programmatic, to the One-Stop-Career Center system; 2) conducting outreach to the disability community; 3) facilitating linkages to employers to increase job opportunities; and 4) establishing a seamless, integrated workforce system that incorporates disability work incentives and supports for job seekers with disabilities.

Several years of WIGs, and more recently DPN grants, have successfully demonstrated approaches to improve the accessibility to One-Stop services for job seekers with disabilities. States and localities are now expected to finance these approaches through their base resources or other Federal, state or local sources of funding.

Ending this program will not have a detrimental effect on One-Stop accessibility for job-seekers with disabilities. Section 504 of the Rehabilitation Act mandates that organizations receiving Federal funds—including One Stop Career Centers—be accessible to people with disabilities. In addition, the Department of Education's Vocational Rehabilitation State Grants program will continue to support technical assistance on program accessibility.

Base Level Funding:

Base:

Estimate: \$22,563,000

FTE: N/A

WORK INCENTIVE GRANTS

Program Performance at Request Level: No funding is requested for Work Incentive Grants in FY 2008.

Program decrease:

Estimate: -\$22,563,000 FTE: N/A

Object Class (\$ in thousands):

N/A