



Career Advancement Accounts are self-managed accounts that would enable current and future workers to gain the education and training needed to successfully enter, navigate, and advance in 21<sup>st</sup> century jobs. Accounts would be available to workers entering the workforce or transitioning between jobs and careers, or incumbent workers in need of new skills to remain employed or move up the career ladder.

The American economy is facing a shortage of skilled workers – workers who obtain skills through post-secondary education and learning. The workforce investment system, as currently constituted, is ill-equipped to meet the training challenges brought on by the increased need for skills and competencies possessed by workers. This is due, in part, to the lack of 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.

The Career Advancement Account proposal meets America's imperative to train more workers in order to remain globally competitive by (1) getting more training dollars in the hands of workers, and (2) streamlining the One-Stop service delivery system through the elimination of outdated service delivery processes.

### **How do Career Advancement Accounts Work?**

An individual would apply for an account at a One-Stop Career Center or through other processes developed by states. States also could establish an online application system.

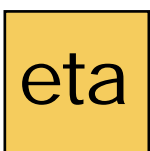
The maximum amount of the account is \$3,000 for one year. This is sufficient to finance about one year's study at a community college. The accounts may be renewed for one additional year, for a total two-year account amount of up to \$6,000 per worker.

Individuals must use their accounts to pay for expenses directly related to education and training. Career Advancement Accounts could generally be used with a wide variety of training and education providers, including community colleges, and trade and technical schools. States would ensure the credibility and accountability of the training providers.

### **Who is Eligible for a Career Advancement Account?**

Federal legislation authorizing Career Advancement Accounts would establish the following broad categories of individuals as eligible for the accounts:

- ✓ Unemployed adults
- ✓ Out-of-school youth
- ✓ Incumbent workers who require training for advancement or to retain employment



States would have the flexibility to establish additional criteria or priorities for eligibility for Career Advancement Accounts. Some possible examples of state-determined eligibility parameters are as follows:

- ✓ States could decide to establish a priority for low-income individuals.
- ✓ States could define “incumbent workers” in a way that would limit eligibility to those currently employed workers most in need of federal assistance.
- ✓ States experiencing low high school dropout rates and high numbers of mass layoffs could target more funding to unemployed adults and less funding to out-of-school youth.

In addition, states must determine priority of service consistent with the veterans’ priority of service requirement under the Jobs for Veterans Act (PL 107-288).

### **What is the Role of One-Stop Career Centers in the Career Advancement Account Proposal?**

One-Stop Career Centers would continue to provide employment services to job seekers and employers, as well as access to Career Advancement Accounts. However, steps would be taken to streamline and strengthen the One-Stop Career Center system.

With the proliferation of employment and job training programs over a number of decades and embedded in multiple federal agencies, Congress created One-Stop Career Centers under the Workforce Investment Act of 1998 (WIA). The notion behind One-Stop Career Centers was that multiple employment and job training programs could be accessed by employers and workers in a single physical location in a community. Because a handful of states were successfully experimenting with the creation of One-Stop Career Centers prior to enactment of WIA, it made sense to codify this service delivery mechanism throughout the entire country.

While each of the individual federal programs retained its own rules and authorization, the mechanism created by Congress for delivering services through a common One-Stop infrastructure was the local Memorandum of Understanding (MOU). Through a MOU, each of the federally-funded partner programs was to agree to a common service delivery design as well as partner contribution in order to share in the administrative costs of operating the One-Stop Career Center.

The fatal flaw in this approach was the lack of an effective enforcement mechanism. If a partner program did not want to enter into a MOU and share costs, no mechanism was created to “enforce” the partner program’s participation. In fact, because each program retained its separate funding and authorization, little incentive existed for programs to adjust their current delivery systems and staffing structures.

### *The Issues*

Because of the lack of true partner program integration, the reality of One-Stop Career Centers has not met the vision of One-Stop Career Centers. Specifically, the following issues have emerged since the implementation of the Workforce Investment Act:

1. ***WIA funded programs pay a disproportionate share of administrative costs, leading to a lack of resource availability for training.*** As stated in the “Background” section above, the vision of WIA was that 17 identified employment and training programs would share in the costs of operating One-Stop Career Centers with services from all of those programs being accessed through the One-Stop Career Centers. However, in almost all local areas, WIA programs and the Employment Services program authorized under the Wagner-Peyser Act carry the entire burden for keeping the doors of a One-Stop Career Center open – lease/rent costs, computer and information technology costs, staffing costs, etc. As a result, with the \$4 billion currently invested in the three WIA programs and the Employment Services program, only 200,000 people are exiting training per year.
2. ***Services are duplicative rather than complementary.*** WIA authorizes three levels of services: core services which are basic employment services, intensive services that include case management and development of an employment plan, and training services. Employment services (also known as labor exchange services) under the Wagner-Peyser Act are exactly the same services as the core services under WIA. In addition, WIA services are delivered primarily by local county or city employees while employment services are provided by state employees. This division has created too many situations whereby both programs are providing basic core/employment services, often through completely separate service delivery structures or “coordinated” systems that lack true integration as envisioned by WIA. In fact, rather than duplicative core/employment services being delivered, the law envisioned a service delivery environment where core/employment services would be funded by Wagner-Peyser, thus making WIA resources available for training. Unfortunately, this has not occurred across the country in a systematic manner.
3. ***The lack of program partner integration has led to WIA-funded supportive services.*** Because partner programs such as Temporary Assistance to Needy Families (TANF), Food Stamp Employment and Training (E&T), Child Care Development Fund (CCDF) programs, transportation subsidies and housing assistance are not accessible through One-Stop Career Centers, WIA funds are used for supportive services. This leads to less funding available for training and additional duplication in service delivery.
4. ***Strict requirements governing physical location of One-Stop Career Centers.*** Current law requires each local workforce investment area to have at least one comprehensive One-Stop Career Center. In essence, this has created pressure to maintain a One-Stop

Career Center in every county. In many areas of the country, this requirement does not make sense in terms of population density or the configuration of the local labor market or regional economy. State and local officials have struggled to rationalize this system, save administrative costs, and get more funding in the hands of workers who need education and training.

### *The Solution*

The Bush Administration has continually supported the true concept of a One-Stop system. This is a system whereby access points are created and maintained in communities – access points that may be physical in nature such as One-Stop Career Centers where all partner programs can be accessed and ones that may be technologically based utilizing the latest in telecommunications and Internet advancements. This support has been embodied in the WIA reform proposals articulated by the Administration, most notably the “infrastructure” proposal developed over three years ago.

Under the Career Advancement Account proposal, the infrastructure proposal is a viable option. Essentially, governors would capture an amount of the administrative cost of each of the partner employment and training programs and pool the money to be used locally for One-Stop Career Centers and other access points. Monies would be available locally based on a state-developed certification process to assure more consistency of services across a state. This proposal would accomplish the following:

1. ***The One-Stop vision would be realized.*** Employment and training programs would fund the One-Stop Career Centers and services would be delivered in an integrated fashion. No longer would it be in the best interests of an individual program to maintain a separate bureaucracy and service delivery system. All programs would have a shared interest in designing and maintaining a single employment and training system in a state, made up of the partner components.
2. ***Services would be consistently provided across a state.*** The state would provide greater leadership under this proposal by working with local authorities to develop a consistent vision and service delivery system for One-Stop Career Centers and other access points through a new certification process. This includes agreements on the role of state and local employees in the system – rather than the current fragmented environment, these “layers” would each have defined roles and responsibilities that complement one another.
3. ***Consolidated WIA funding would be available for training through Career Advancement Accounts.*** Because partner programs would be invested in the success of One-Stop Career Centers and other access points, the new consolidated WIA state grant would be available for basic core services and Career Advancement Accounts rather than administrative overhead and duplicative service delivery structures.

Therefore, the goal of more than tripling the number of people trained with WIA funds could be realized.

4. *Flexibility around physical locations of Centers.* The President's reforms would give state and local officials the flexibility to make sound business decisions about the locations of their One-Stop Career Centers.

### What is the Difference between Career Advancement Accounts and Pell Grants?

Pell Grants are available to undergraduates who have financial need and meet the other requirements for Federal Student Aid. Pell Grants are usually a foundation of student aid, to which assistance from other federal and non-federal sources might be added. Career Advancement Accounts are self-managed accounts to enable current and future workers to gain the skills needed to successfully enter, navigate and advance in 21<sup>st</sup> century jobs.

There would be some overlap between eligibility for Pell Grants and Career Advancement Accounts, just as there is currently some overlap between Pell Grants and WIA Individual Training Accounts. However, since Career Advancement Accounts are targeted toward workers seeking to upgrade their skills, there is more flexibility in how these funds can be used. Specifically –

- ✓ Unlike Pell and other Federal student aid, Career Advancement Accounts would be available to low-income individuals who are studying less than half time.
- ✓ Career Advancement Accounts would also be available to individuals pursuing short-term training, in courses that last 10 weeks or less. Federal student aid is not available for this type of short-term training.
- ✓ The practice of determining Pell eligibility based on the previous year's income penalizes working adults seeking to return to school following layoffs and sharp reductions in income. Such individuals could apply for Career Advancement Accounts.

Finally, Career Advancement Accounts would be available to help fill in holes for those individuals who, even with Pell Grants and other student aid, still cannot afford the cost of education and training.

There are differences in the allowable uses of Pell Grant and Career Advancement Account funds. While Career Advancement Accounts would be used only to cover the costs of education and training, individuals can use Pell Grants to pay for the cost of attendance at an institution of higher education (such as tuition and fees), as well as living expenses.



### What is the Difference between Career Advancement Accounts and Personal Reemployment Accounts?

The President's 2007 Budget Proposal supports providing individuals with personal control and flexibility in managing their own education, training and employment choices through a Career Advancement Account approach. Similar principles are the underpinning of the Personal Reemployment Accounts demonstration but there are significant and important differences.

The principle differences are that Personal Reemployment Accounts:

- ✓ Are designed as a targeted reemployment effort for individuals currently receiving Unemployment Insurance (UI) benefits and identified as likely to exhaust their benefits.
- ✓ Cover any allowable expenses related to reemployment: training, intensive and supportive services.
- ✓ Are available to individuals for one year with no renewable option.
- ✓ Feature a cash bonus that rewards reemployment and is paid in two installments: 60% of the account balance when the individual becomes employed by the 13<sup>th</sup> compensable week of UI and 40% when employment is retained for six months.

### How will Career Advancement Account Recipients Receive Supportive Services?

Career Advancement Accounts can only be used to pay for expenses directly related to education and training, but individuals would continue to have access to supportive services through a variety of local community organizations and existing state and federally funded programs. The following is a brief summary of some of the federal and other assistance available to address the major supportive service needs of a job seeker participating in training: child care, transportation, housing, and health care.

#### *Child Care*

Services range from cash assistance and vouchers to Web site referrals and consumer education resource materials. Eligibility for financial assistance is usually based on income. The U.S. Department of Health and Human Services (HHS) has the largest number of programs that provide child care subsidies and financial assistance, such as the Temporary Assistance for Needy Families (TANF), Transitional Child Care and the Child Care and Development Fund. The National Child Care Information Center, funded by HHS, is a national clearinghouse and technical assistance center that links parents, providers, policy-makers, researchers, and the public to early care and education information.

#### *Transportation*

The programs that provide or reimburse costs for transportation to and from work, school, and training for low income or disabled individuals are the U.S. Department of Transportation's Job



Access and Reverse Commute Grants, the Social Security Administration's Ticket to Work Program, U.S. Department of Agriculture's Food Stamp Employment and Training Program, the TANF program, and seven Department of Education programs. The Department of Interior has targeted programs for Indians and Native Americans to provide transportation for those pursuing education and training. Many faith-based and community organizations provide transportation assistance by either providing tokens or vouchers for public transportation or sponsoring one of seventy car ownership programs across the country that provide cars to low-income people for travel to work.

### *Housing*

The majority of rental or mortgage assistance is provided through the Department of Housing and Urban Development's (HUD) fourteen guaranteed/insured loans and direct payment programs. These programs help people undertake home ownership or increase the supply of good quality rental housing for lower or middle-income families by either insuring mortgages or providing payments to owners on behalf of eligible tenants with the difference between the contract rent and the tenant rent. State cash assistance programs, many faith-based and community organizations, and Community Action Agencies authorized by the Community Services Block Grant Act also provide access to temporary housing assistance. The U.S. Department of Agriculture, HUD and Veterans Administration also offer direct payment or guaranteed/insured loan programs for low-income rural individuals, Indians and Native Americans and veteran residents.

### *Health Care*

HHS is the main provider for services in health care, such as Medicare and Medicaid. Medicare is a health insurance and prescription drug program for people 65 years of age or older, and some people with disabilities under 65 years. The Medicaid Program provides medical benefits to low-income individuals who have no medical insurance or have inadequate medical insurance. Many communities also have low-cost or free health clinics that are available to individuals who are without health insurance. For those who may earn too much to qualify for Medicaid, the State Children's Health Insurance Program is available.

### *Income Support*

There are a number of ways that individuals may receive income support while participating in training under a Career Advancement Account. Some participants will qualify for training assistance while continuing to receive income support under state or federally-funded public assistance, such as TANF or the Social Security Disability Income program. Others may choose to use a portion of their Pell grant assistance to contribute to income support, and in some instances the individual may be co-enrolled in the Trade Adjustment Assistance program or Disaster Unemployment Assistance, under which extended unemployment insurance benefits could provide income support and other supportive services during training. However, it is anticipated that many individuals would work part-time while participating in education and training programs financed by Career Advancement Accounts.