



National Association of State Workforce Agencies (NASWA)

Policy Notebook and Legislative Summary

December 18, 2008

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NASWA POLICY NOTEBOOK

NASWA POLICY RESOLUTIONS

Updated as of November 17, 2008

RESOLUTION NUMBER	POLICY RESOLUTIONS TITLE
1	Appreciation of Assistant Secretary Charles S. “Chick” Ciccollella
2	Interest Earned on Reed Act Distributions
3	Support of a Reed Act Distribution
4	Permanently Fund the Reemployment Eligibility Assessment Program
5	Authorize Recovered Overpayments to Support Unemployment Insurance Administration
6	Interstate Reciprocal Agreements for the Execution of Wage Garnishments for Collecting Unemployment Insurance Overpayments
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17	Federal-State Determination of Strategic Directions for the Employment Service and Unemployment Insurance Systems
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	One-Stop System
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OTHER NASWA POLICY

(Recent policy approved by the NASWA President or NASWA Executive Committee or NASWA Legislative Committee or the NASWA Board of Directors.)

	Format	Topic	Date
19	Letter	Increase Wagner-Peyser Funding to \$1.4 billion Annually	December 12, 2008
20	Letter	Increase Workforce Funding by \$1.5 Billion, Coalition Letter	November 17, 2008
21	Letter	Support of \$6 Billion Special Reed Act Distribution	October 24, 2008
22	Letter	Priority of Service Comments	October 14, 2008
23	Letter	Moratorium on H-2A Proposed Regulation	April 24, 2008
24	Testimony	Fiscal Year 2009 Appropriations Request	March 11, 2008
25	Letter	Opposition to WIA Funding Reduction	March 4, 2008
26	Letter	Opposition to Wagner-Peyser Funding Elimination	February 29, 2008
27	Letter	Supplemental Appropriations of \$110 Million for UI Administrative Funding	February 27, 2008
28	Testimony	Performance of Employment and Training for Veterans	October 25, 2007
29	Joint Statement	NGA/NASWA WIA Common Measure Proposal	May 2, 2007
30	Joint Letter	NGA/NASWA Policies on WIA Reauthorization	July 17, 2007
31	Testimony	The Unemployment Insurance Modernization Act and The Worker Empowerment Act	March 29, 2007

NATIONAL GOVERNORS' ASSOCIATION POLICY

(Policy approved by the nation's governors and generally agreed to by NASWA membership.)

	Policy Title
32	Governors' Principles to Ensure Workforce Excellence (Effective Winter Meeting 2007-Winter Meeting 2009)
33	Employment Security System Policy (Effective Annual Meeting 2006-Annual Meeting 2008)



Description of Resolutions

1. Appreciation of Charles S. “Chick” Ciccolella

NASWA resolution honoring the outstanding leadership USDOL Assistant Secretary, Charles S. “Chick” Ciccolella at the Veterans Employment and Training Service.

2. Interest Earned on Reed Act Distributions

NASWA resolution urging Congress to pass legislation to allow states to appropriate interest earned on Reed Act distributions.

3. Support of a Reed Act Distribution

NASWA resolution supporting the immediate Special Reed Act distribution to states of \$800 million per year for the next three consecutive fiscal years

4. Permanently Fund the Reemployment Eligibility Assessment Program

NASWA resolution urging the federal government to fund permanently the REA program at levels to support implementation nationwide.

5. Authorize Recovered Overpayments to Support Unemployment Insurance Administration

NASWA resolution urging Congress to amend federal law to allow states to use five percent of overpayments recovered to support efforts to reduce improper UI payments and delinquent taxes.

6. Interstate Reciprocal Agreements for the Execution of Wage Garnishments for Collecting Unemployment Insurance Overpayments

NASWA resolution urging the federal government to assist in the establishment of interstate reciprocal agreements for the execution of wage garnishments in order to recover overpaid UI benefits.

7. One-Stop/Labor Market Information Funding

NASWA resolution urging Congress to restore funding for the One-Stop Career Centers/Labor Market Information program to its FY 2005 level of \$98 million.

8. Unemployment Insurance Administrative Funding (no less than 50 percent of FUTA paid by each state)

NASWA resolution urging Congress to appropriate sufficient funds annually from the Federal Unemployment taxes collected to ensure that every state will receive a minimum of 50 percent of the Federal Unemployment taxes paid by its employers and in doing so holds harmless those states currently appropriated more than 50 percent of Federal Unemployment taxes paid by its employers annually by ensuring they receive no less than they are appropriated currently.



9. Common Definitions

NASWA resolution requesting the Administration and Congress establish a set of common definitions and guidelines applicable to programs covered by common measures.

(July 22, 2005 – policies 11-15 below were adopted by a vote of the NASWA membership ordered by the Board of Directors)

10. WIA Policy – Eligible Training Providers

NASWA supports the Administration's proposal to allow governors to establish criteria and procedures relating to eligibility of providers of training services for WIA funds after consulting with state workforce investment boards.

11. WIA Policy - Retention of Grandfather Provision on Board Membership

NASWA supports retaining the current grandfather provisions on workforce investment board membership.

12. WIA Policy - Retain the Wagner-Peyser Act

NASWA supports retaining the Wagner-Peyser Act.

13. WIA Policy - Retain existing state-local funding formulas

NASWA supports retaining existing state-local funding formulas under current federal law for the WIA adult/dislocated worker and Wagner-Peyser Act programs.

14. WIA Policy - Continue funding Wagner-Peyser from FUTA

NASWA supports continued funding of the Wagner-Peyser Act from Federal Unemployment Tax Act (FUTA) revenue and the link between Unemployment Insurance (UI) and reemployment services for UI claimants.

15. Authorize Federal Income Tax Refund Intercept/Offset for UI Debts

NASWA resolution urging Congress to support an amendment to federal law to allow the Internal Revenue Service, to act on behalf of the state workforce agencies, by intercepting/offsetting federal income tax refunds of individuals and entities to collect unemployment benefit overpayment resulting from fraud and contribution debts.

16. Adequate Funding for the Employment Service

NASWA resolution supporting the need for significantly higher Wagner-Peyser funding to support the delivery of state Wagner-Peyser employment services.

17. Federal-State Determination of Strategic Directions for the Employment Service and Unemployment Insurance Systems



NASWA resolution urging U.S. Department of Labor, Employment and Training Administration, to hold regular policy discussions with the states and agree upon the strategic directions for the employment and unemployment systems within which federal/national initiatives will operate.

18. **Role of Unemployment Insurance Program within a Workforce Development One-Stop System**

NASWA policy statement describing the age between the Unemployment Insurance program and the Employment Service.



SECTION I

NASWA RESOLUTIONS



RESOLUTION 1

National Association of State Workforce Agencies Resolution in Appreciation of the Leadership of Assistant Secretary for Veterans Employment and Training Charles S. “Chick” Ciccolella

WHEREAS, the Disabled Veterans Outreach Program (DVOP) and the Local Veterans Employment Representatives (LVER) programs are funded by federal grants from the U.S. Department of Labor Veterans’ Employment and Training Service to State Workforce Agencies;

WHEREAS, the DVOP and LVER programs are administered by State Workforce Agencies with oversight provided by the Veterans Employment and Training Service;

WHEREAS, through the leadership of Charles S. Ciccolella, Assistant Secretary for the U.S. Department of Labor Veterans’ Employment and Training Service, an extraordinary partnership has been created between Veterans Employment and Training Service and State Workforce Agencies;

WHEREAS, Charles S. Ciccolella, better known as “Chick,” has ensured communication channels are open among his office, the State Workforce Agencies, and staff of the National Association of State Workforce Agencies (NASWA);

WHEREAS, Chick Ciccolella has attended almost every NASWA Veterans Affairs Committee meeting since his appointment at the Veterans Employment and Training Service. In the rare situations where he could not attend a committee meeting, he ensured his Deputy, John McWilliam, or another high-level administration official, represented him at the meeting;

WHEREAS, Chick Ciccolella has authorized key staff from his office, Regional Offices, and the National Veterans Training Institute to participate in the NASWA Veterans Affairs Committee meetings;

WHEREAS, Chick Ciccolella ensured NASWA was represented on all the planning teams established for the implementation of the Jobs for Veterans Act;

WHEREAS, Chick Ciccolella ensured NASWA was represented in all budget briefings, Veterans Service Organization meetings, the annual Salute to Veterans event for Veterans’ Day, and many internal meetings regarding VETS matters;

WHEREAS, Chick Ciccolella provided the keynote speech at the opening plenary session for 2007 NASWA Annual Conference in Hartford, Connecticut; assisted in planning the Annual Conference, which focused on Service to Veterans; authorized key VETS staff to participate in the Annual Conference workshops; and authorized NVTI to provide training at the closing plenary session;



WHEREAS, Chick Ciccolella has visited nearly all State Workforce Agencies in the country; made presentations and participated in many State Veterans DVOP and LVER Conferences; visited many one-stop career centers; met and asked for input from many DVOPs, LVERs and one-stop staff and management;

WHEREAS, Chick Ciccolella has provided technical assistance to NASWA on draft legislation regarding veterans' employment and training programs; and invited NASWA to participate in meetings with Congressional staff on veterans issues; and

WHEREAS, Chick Ciccolella has been an exceptional advocate for the DVOP, LVER programs, state workforce agencies, and the publicly-funded workforce system;

RESOLVED, that the National Association of State Workforce Agencies, at its Annual Conference in Charleston, South Carolina, recognizes and greatly appreciates the outstanding leadership of Charles S. "Chick" Ciccolella at the Veterans Employment and Training Service to create an extraordinary partnership with State Workforce Agencies.

September 18, 2008 – adopted by the NASWA membership during its 2008 Annual Meeting



RESOLUTION 2

National Association of State Workforce Agencies Resolution, Interest Earned on Reed Act Distributions

WHEREAS, Under current federal law, only the amounts transferred to a state's unemployment trust fund pursuant to a Reed Act distribution may be used for program administration;

WHEREAS, The amount of any Reed Act distribution is limited to the actual dollar amount transferred to the states;

WHEREAS, Amending federal law to allow the interest attributable to Reed Act funds to be used for program administration would provide an additional source of potential funding for states;

WHEREAS, If a state had in its trust fund \$20 million in Reed Act funds, the interest earned would exceed \$1 million annually at the current rate of interest;

WHEREAS, State legislatures could appropriate the interest attributable to the Reed Act funds while keeping the principal amount in the trust fund to pay future benefits, lower employer taxes or maintain trust fund solvency;

RESOLVED, NASWA urges Congress to pass legislation to allow states to appropriate interest earned on Reed Act distributions for purposes authorized by the Reed Act.

September 18, 2008 – adopted by the NASWA membership during its 2008 Annual Meeting



RESOLUTION 3

National Association of State Workforce Agencies Resolution, Supporting Reed Act Distribution

WHEREAS, the U.S. Department of Labor's (USDOL) methodology of distributing base funding for state administration of the Unemployment Insurance (UI) program is largely determined by the results documented in each state's submission of data for the Resource Justification Model (RJM);

WHEREAS, the Social Security Act (42 U.S.C. 502(a)) states in part "The Secretary of Labor shall ... certify ... for payment to each state which has an unemployment compensation law ..., such amounts ... necessary for the proper and efficient administration of such law during the fiscal year. ...The Secretary of Labor's determination shall be based on (1) the population of the State; (2) an estimate of the number of persons covered by the State law and the cost of proper and efficient administration of such law; and (3) such other factors as the Secretary of Labor finds relevant;"

WHEREAS, the USDOL has used a flawed and inequitable method called the Resource Justification Model by failing to apply population of the state as required by the Social Security Act;

WHEREAS, USDOL stated that a primary use of the state data submitted under RJM was to request sufficient national appropriations to support states' documented needs for UI program administration;

WHEREAS, states' documented needs under RJM continue to exceed the UI base allotment by amounts in excess of approximately \$500 million per year, states' needs to complete information technology upgrades based on Performance and Capital Investment (PCI) requests exceed \$100 million per year and states' needs for funding the Employment Service exceed recent appropriations by \$200 million when adjusted for inflation;

WHEREAS, the insufficient national appropriation allocated based on actual expenses incurred as shown in the RJM has resulted in shifting of the deficits among states, with 26 states experiencing a reduction in their UI allocation since the implementation of RJM and states with small populations most often absorbing a disproportionate share of losses;

WHEREAS, states are operating with inefficient legacy UI systems, some more than 30 years old;

WHEREAS, many of these same states with outdated legacy systems could not reserve prior Reed Act distribution funds for the purpose of modernizing their UI systems because they needed the funds to pay benefits and avoid increasing employer taxes during a recession;



WHEREAS, the elimination of America's Job Bank (AJB) and its funding requires states to identify and implement new technology to facilitate the sharing of interstate job matches;

WHEREAS, the Employment Service (ES) national allotments to states has been generally flat and declining every year when adjusted for inflation since the early 1980s, and in more recent years has been reduced;

WHEREAS, funding cuts to One-Stop/LMI programs erode the ability of states to respond to requests of business and policy makers at the state and local levels;

WHEREAS, facing severely constrained budgets, many states have been forced to absorb the higher costs of salary, health care and other fringe benefits by reducing UI and ES administration staff and closing facilities which reduce the administrative funding available to support information technology enhancements;

WHEREAS, including projected interest earnings of \$9 billion, balances in the Employment Security Administration Account (ESAA), Extended Unemployment Compensation Account (EUCA) and the Federal Unemployment Account (FUA) in the Federal Unemployment Trust Fund are projected by USDOL to hold \$47 billion by the year 2010;

WHEREAS, this amount is more than sufficient to fulfill the needs of the federal-state UI system and will be greater if the temporary surtax is extended as is proposed in the President's fiscal year 2007 budget; Whereas, a Special Reed Act distribution of \$800 million for 3 consecutive years beginning with federal fiscal year 2007, for a total investment of \$2.4 billion, would not significantly deplete those excess funds and, in fact, would represent only approximately 27 percent of the interest earnings and 5 percent of total funding projected to be available by the year 2010.

RESOLVED, NASWA recognizes that the national UI administrative appropriation falls significantly short of addressing states' needs as documented in RJM and the ES allocations have been insufficient, therefore, NASWA supports the immediate Special Reed Act distribution to states of \$800 million per year for the next three consecutive fiscal years. For each of the three year distributions, a state is required to obligate the resources within 5 years of the date of each distribution, after which time any unspent amount shall remain in each state's individual account for purposes of benefit payments. By releasing the funds as Special Reed Act funding to be used for technology infrastructure needs as well as other operational needs, states will be in a position to target funding to modernize their systems, and thereby maintain an emphasis on high quality services to UI and ES customers.

September 18, 2008 – adopted by the NASWA membership during its 2008 Annual Meeting



RESOLUTION 4

National Association of State Workforce Agencies

Resolution to Permanently Fund the Reemployment Eligibility Assessment Program

WHEREAS, the Unemployment Insurance (UI) Reemployment Eligibility Assessment (REA) pilot program was created and funded by Congress with the intent to determine if REA services would result in more rapid reemployment of UI claimants; and/or cost-savings for a state's UI trust fund;

WHEREAS, states participating in the REA pilot program have successfully reduced the average duration of UI claimants' benefits because of faster reemployment;

WHEREAS, states participating in the REA pilot have benefited from significant cost-savings to their UI trust fund;

WHEREAS, the states have found that the federal requirements for the REA program are staff-intensive and require a comprehensive, individual level of service and dedicated case management to achieve success for UI claimants;

WHEREAS, it would be beneficial for states, businesses and the UI claimant population, to move the UI REA program from a pilot to full implementation nationwide;

WHEREAS, experience has shown the savings realized through the program will yield a significant return on the federal investment in the REA program;

RESOLVED, that the National Association of State Workforce Agencies, urges the federal government to fund permanently the REA program at levels to support implementation nationwide.

September 18, 2008 – adopted by the NASWA membership during its 2008 Annual Meeting



RESOLUTION 5

National Association of State Workforce Agencies Resolution to Authorize Recovered Overpayments to Support Unemployment Insurance Administration

WHEREAS, section 3304 (a) (3) of the Federal law requires the deposit of recovered unemployment compensation overpayments into the Unemployment Trust Fund;

WHEREAS, all moneys withdrawn from the state accounts of the Unemployment Trust Fund must be used for the payment of Unemployment Insurance (UI) benefits and refunds of erroneous payments to the fund;

WHEREAS, administrative expenses may not be paid from state accounts in the Unemployment Trust Fund;

WHEREAS, the state's ability to collect these overpayments is hampered by insufficient grants appropriated to states for UI administration and collection activities;

WHEREAS, additional UI administrative funding would enable increased efforts to reduce the number of overpayments resulting from errors and fraud, thereby resulting in improvements to the overpayment collection rate;

WHEREAS, the Employment and Training Administration issued support for providing states the opportunity to use a portion of the overpayments they recover and certain delinquent taxes they collect for additional efforts to reduce improper payments and ensure tax integrity;

RESOLVED, that the National Association of State Workforce Agencies urges Congress to amend federal law to allow states to use five percent of overpayments recovered to support efforts to reduce improper UI payments and delinquent taxes.

September 18, 2008 – adopted by the NASWA membership during its 2008 Annual Meeting



RESOLUTION 6

National Association of State Workforce Agencies Resolution Supporting Interstate Reciprocal Agreements for the Execution of Wage Garnishments for Collecting Unemployment Insurance Overpayments

WHEREAS, the integrity of a Unemployment Insurance (UI) Trust Fund is the responsibility of all states;

WHEREAS, UI overpayment collection ensures the integrity of every state UI Trust fund;

WHEREAS, the ability to garnish from wages covered will assist every state in the collection of UI overpayments;

WHEREAS, interstate wage garnishment (income withholding) is required already as a collection method in the Child Support Enforcement Program as approved under the Child Support Enforcement Amendments of 1984 (P.L. 98-387);

RESOLVED, the National Association of State Workforce Agencies, at its 2006 Annual Conference, in Boise, Idaho, urges the federal government to assist in the establishment of interstate reciprocal agreements for the execution of wage garnishments in order to recover overpaid UI benefits.

September 18, 2008 – adopted by the NASWA membership during its 2008 Annual Meeting



RESOLUTION 7

National Association of State Workforce Agencies Resolution Supporting One-Stop/Labor Market Information

WHEREAS, the FY 2007 spending bill approved by the House and Senate Appropriations Committee for the Departments of Labor, Health and Human Services and Education and the Employment and Training Administration's FY 2007 Budget request would cut the One-Stop /Labor Market Information (LMI) program by \$42 million, \$19 million and \$18 million respectively;

WHEREAS, the Administration is seeking to eliminate the One-Stop/LMI line-item;

WHEREAS, these funding cuts would devastate the infrastructure of the labor market information programs in states;

WHEREAS, the demand for high quality labor market information that supports the Administration's initiatives as well as the needs of policy makers at the state and local levels has been increasing;

WHEREAS, state workforce agencies have consistently provided timely, accurate, relevant and innovative labor market information to a variety of customers, including business, job seekers, and Congress;

WHEREAS, information produced by this program is used by governors in their strategic economic development initiatives, by businesses to plan expansion and establish employee compensation, by schools, colleges and workforce training programs to guide youth and other job seekers toward promising careers, to compute unemployment benefit amounts and employer unemployment tax rates;

WHEREAS, the labor market information is a vital part of the nation's capacity to help businesses and individuals respond to the pressures of the changing economy by providing projections information on employment trends, unemployment rates, wages and skills, and funding reductions ultimately will impact the future of our economic development efforts;

RESOLVED, that the National Association of State Workforce Agencies, at its Annual Conference in Boise, Idaho, urges the President and Congress to restore funding for the One-Stop Career Centers/Labor Market Information program to its FY 2005 level of \$98 million.

September 18, 2008 – adopted by the NASWA membership during its 2008 Annual Meeting



RESOLUTION 8

National Association of State Workforce Agencies Resolution Supporting 50 percent Distribution of the Federal Unemployment Taxes to all States

WHEREAS, the Federal Unemployment Tax is the source of administrative funding for the unemployment insurance, employment service, and other workforce and labor market information programs;

WHEREAS, it is also a source of funding for the federal half of the Federal-State Extended Benefits program and a loan fund for state unemployment insurance programs;

WHEREAS, employers pay nearly seven billion dollars annually in Federal Unemployment taxes; and

WHEREAS, the Social Security Act (42 U.S.C. 502(a)) states in part “The Secretary of Labor shall ... certify ... for payment to each state which has an unemployment compensation law ..., such amounts ... necessary for the proper and efficient administration of such law during the fiscal year. ...The Secretary of Labor’s determination shall be based on (1) the population of the State; (2) an estimate of the number of persons covered by the State law and the cost of proper and efficient administration of such law; and (3) such other factors as the Secretary of Labor finds relevant;”

WHEREAS, the U.S. Department of Labor has used a flawed and inequitable method called the Resource Justification Model by failing to apply population of the state as required by the Social Security Act;

WHEREAS, less than 55 percent of the Federal Unemployment taxes collected each year are actually appropriated to the states to fund the administration of unemployment insurance, employment service, and other important workforce programs; and

WHEREAS, the level of federal appropriations is insufficient to ensure the proper and efficient administration of these programs, which adversely impacts the prompt and proper payment of benefits, program integrity and the prompt re-employment of unemployment insurance claimants and other jobseekers; and

WHEREAS, the National Association of State Workforce Agencies and its members have documented that the under funding of these critical programs by the federal government has required a number of state legislatures to appropriate state funds to ensure the proper and efficient administration of these critical programs; and



WHEREAS, in 2005 states appropriated nearly \$350 million for the administration of the unemployment insurance, employment service, and labor market information programs because of the under funding of these programs by the federal government; and

WHEREAS, during 2005 the federal government had more than \$22 billion of excess federal unemployment taxes that were being held in the loan account or the extended benefit account; and

WHEREAS, by September 30, 2006 the combined balance of the loan and extended benefit accounts is projected to exceed \$26 billion; and

WHEREAS, a significant number of states receive less than 50 percent of the Federal Unemployment taxes paid by their employers each year; therefore, be it

RESOLVED, that the National Association of State Workforce Agencies, at its annual conference in Boise, Idaho, urges the President to request that Congress appropriate sufficient funds annually from the Federal Unemployment taxes collected to ensure that every state will receive a minimum of 50 percent of the Federal Unemployment taxes paid by its employers and in doing so holds harmless those states currently appropriated more than 50 percent of Federal Unemployment taxes paid by its employers annually by ensuring they receive no less than they are appropriated currently.

September 18, 2008 – adopted by the NASWA membership during its 2008 Annual Meeting



RESOLUTION 9

National Association of State Workforce Agencies Resolution Supporting Common Definitions

WHEREAS, the Federal government has established and implemented a set of Common Measures;

WHEREAS, the intent of the Common Measures is to compare 31 federally funded programs under six federal departments;

WHEREAS, these Common Measures are based upon service results for services that are provided through numerous delivery systems;

WHEREAS, legislation, regulations and guidelines directing each of these services include different definitions and requirements for similar terminology;

WHEREAS, these differences may impact upon the Common Measures;

WHEREAS, these differences in definition and requirements can negatively impact the validity of any comparative Common Measures;

RESOLVED, that the National Association of State Workforce Agencies request that the Administration and Congress establish a set of common definitions and guidelines applicable to programs covered by common measures.

September 18, 2008 – adopted by the NASWA membership during its 2008 Annual Meeting



RESOLUTION 10

National Association of State Workforce Agencies Resolution, WIA Policy - Eligible Training Providers

NASWA supports the Administration's proposal to allow governors to establish criteria and procedures relating to eligibility of providers of training services for WIA funds after consulting with state workforce investment boards.

September 18, 2008 – adopted by the NASWA membership during its 2008 Annual Meeting



RESOLUTION 11

National Association of State Workforce Agencies Resolution, WIA Policy - Retention of Grandfather Provision on Board Membership

NASWA supports retaining the current grandfather provisions on workforce investment board membership

September 18, 2008 – adopted by the NASWA membership during its 2008 Annual Meeting



RESOLUTION 12

National Association of State Workforce Agencies Resolution, WIA Policy - Wagner-Peyser Act

NASWA supports retaining the Wagner-Peyser Act.

September 18, 2008 – adopted by the NASWA membership during its 2008 Annual Meeting



RESOLUTION 13

National Association of State Workforce Agencies Resolution, WIA Policy - State-Local Funding Formulas

NASWA supports retaining existing state-local funding formulas under current federal law for the WIA adult/dislocated worker and Wagner-Peyser Act programs.

September 18, 2008 – adopted by the NASWA membership during its 2008 Annual Meeting



RESOLUTION 14

National Association of State Workforce Agencies Resolution, WIA Policy - Wagner-Peyser Funding from FUTA

NASWA supports continued funding of the Wagner-Peyser Act from Federal Unemployment Tax Act (FUTA) revenue and the link between Unemployment Insurance (UI) and reemployment services for UI claimants.

September 18, 2008 – adopted by the NASWA membership during its 2008 Annual Meeting



RESOLUTION 15

National Association of State Workforce Agencies Resolution, Federal Income Tax Intercept for UI Debts

WHEREAS, despite states' efforts to reduce improper payments of unemployment compensation, nationally over \$3.3 billion in benefits were mistakenly paid in 2006;

WHEREAS, state collection of delinquent employer tax debt (contributions) is critical to integrity and enforcement efforts, and affects trust fund solvency;

WHEREAS, states' continue to improve efforts to recover fraudulent unemployment compensation payments, and identify fraudulent payments that are uncollectible, and improve collection of contributions in arrears;

WHEREAS, despite these efforts a portion of the overpayments due to fraud, as well as unpaid contributions, remains uncollected;

WHEREAS, the Administration's fiscal year 2008 Budget request supports the collection of delinquent benefit overpayments and certain delinquent UI taxes through intercepting/offsetting federal income tax refunds;

WHEREAS, Section 3 of HR 2608, introduced in the U.S. House of Representatives by Congressman James McDermott, proposes the collection of past-due debt for erroneous payment of unemployment compensation due to fraud by intercepting/offsetting federal income tax refunds. Under HR 2608, once the state has exhausted its collection options the IRS would hold back any income tax refund by an individual and re-pay the debt to the state from the refund proceeds. While the state would be assessed a fee for these collections, states will benefit from the collection of overpayments that would not otherwise have occurred;

WHEREAS, an increase in the recovery of benefit overpayments and contributions in arrears would contribute to trust fund solvency and lower employer taxes;

RESOLVED, that the National Association of State Workforce Agencies urges Congress to support an amendment to federal law to allow the Internal Revenue Service, to act on behalf of the state workforce agencies, by intercepting/offsetting federal income tax refunds of individuals and entities to collect unemployment benefit overpayment resulting from fraud and contribution debts.

September 18, 2008 – adopted by the NASWA membership during its 2008 Annual Meeting

(Note: On Sep 30, 200, H.R. 2608 Became Public Law No: 110-328)



RESOLUTION 16

National Association of State Workforce Agencies Resolution, Adequate Funding for the Employment Service

WHEREAS, states have provided employment services authorized under the Wagner-Peyser Act as a critical core component of the nation's employment security system for over sixty years;

WHEREAS, delivery of employment services funded with appropriations authorized by the Wagner-Peyser Act has been the only public employment program available to a universal population of both employers and job seekers at no cost;

WHEREAS, the effective delivery of employment services has been shown to have direct impact on the ability of states to minimize the duration of unemployment for claimants;

WHEREAS, states have been consistently under-funded for delivery of services pursuant to the Wagner-Peyser Act for over a decade as a result of reduced and inadequate appropriation requests by the U.S. Department of Labor and reduced and inadequate Congressional appropriations;

WHEREAS, employer paid FUTA taxes dedicated for the purpose of employment security administration, including delivery of services pursuant to the Wagner-Peyser Act, are being collected and held solely for the purpose of off-setting the federal deficit rather than being appropriated for their intended purpose;

WHEREAS, the under-funding of Wagner-Peyser services has resulted in states being forced to limit the scope of service delivery to both employers and job seekers;

WHEREAS, the reduction of Wagner-Peyser funded employment services in many states is directly responsible for undermining the broader national employment security system and the ability to assist unemployment claimants in returning to work quickly, thus avoiding high employer unemployment taxes;

WHEREAS, states have actively supported the implementation of one-stop career centers and systems utilizing Wagner-Peyser resources;

WHEREAS, the provision of employment services funded with Wagner-Peyser appropriations has been openly and often discussed by the U.S. Department of Labor, Employment and Training Administration, as the "cornerstone" of the nation's one-stop career centers and systems;



WHEREAS, Wagner-Peyser is the key source of public workforce development funding to enable one-stop career centers and systems to serve the universal population as required by the U.S. Department of Labor, Employment and Training Administration; and,

WHEREAS, it is one of the goals of the implementation of one-stop career centers and systems to serve a broader population of employers and job seekers and states are reporting an increase in the number of job seekers that are not eligible for services other than those funded by Wagner-Peyser;

WHEREAS, those states that are currently exhausting their federal one-stop grants have provided information that there are insufficient Wagner-Peyser funds available to states to serve the universal population within their one-stop career centers and systems which may result in fewer customers receiving services;

RESOLVED, the National Association of State Workforce Agencies, at its Annual Conference in Pittsburgh, Pennsylvania, on September 9, 1998, supports the need for significantly higher Wagner-Peyser funding to support the delivery of state Wagner-Peyser employment services. NASWA urges the United States Congress, the Office of Management and Budget (OMB), the U.S. Department of Labor, and other stakeholders of the employment security system to work jointly with NASWA to specifically define the funding needs for state Wagner-Peyser employment services and to develop a funding strategy that will adequately fund this critical program that is a core component of every state's workforce development system. Funding needs for Wagner-Peyser employment services include, but are not limited to, the provision of a free public labor exchange, providing the work test for unemployment insurance claimants, and providing job search assistance to the universal population.

September 18, 2008 – adopted by the NASWA membership during its 2008 Annual Meeting



RESOLUTION 17

National Association of State Workforce Agencies Resolution, Federal-State Determination of Strategic Directions for the Employment Service and Unemployment Insurance Systems

WHEREAS, The federal statutes establishing the Employment Service and Unemployment Insurance systems envision a federal-state partnership, giving the states broad authority to implement these systems within federal guidelines;

WHEREAS, The federal Government through its administrative funding role exercises great influence on the direction of these systems through national initiatives;

WHEREAS, The states should have an opportunity to provide front-end input to the Employment and Training Administration on national initiatives and the design of programs intended to deliver employment and unemployment insurance services;

WHEREAS, The full partnership between the federal government and the states envisioned in the statutes establishing the Employment Service and Unemployment Insurance systems has not yet been fully realized; therefore

RESOLVED, that the National Association of State Workforce Agencies, at its Annual Conference on September 4, 1996, urges the U.S. Department of Labor, Employment and Training Administration, to hold regular policy discussions with the states and agree upon the strategic directions for the employment and unemployment systems within which federal/national initiatives will operate.

September 18, 2008 – adopted by the NASWA membership during its 2008 Annual Meeting



RESOLUTION 18

National Association of State Workforce Agencies Role of Unemployment Insurance Program within a Workforce Development One-Stop System

Several State Employment Security Agencies (SESAS) have already taken steps to redesign their workforce development delivery systems in anticipation of federal legislation which would consolidate many of the existing employment and g grants into block grants to the states. Most of the remaining states are involved in the process of building consensus among the various key workforce development participants with the intent of implementing similar delivery system changes designed to meet their specific needs and circumstances.

The members of the Unemployment Insurance (UI) Committee of the National Association of State Workforce Agencies (NASWA) recognize the significance and importance of these initiatives which envision the development of a "one-stop" concept for the delivery of employment and g activities and services.

It is also recognized that these changes will, in many cases, have a fundamental effect on how the UI program is administered. The members of the UI Committee felt that it was important, at this time, to express certain basic principles regarding the role of the UI program under a one-stop environment, as follows:

A strong, linkage between the unemployment insurance program and the Employment Service, both of which are funded by employer-paid FUTA taxes, should be preserved. These resources must continue to be made available to ensure UI claimants are provided with essential reemployment services and to provide for basic labor exchange activities within the states' workforce development systems. Further, the manner and extent to which these resources are integrated within a state's workforce development system and one-b-top structure should be decided at the state level to ensure that they are effectively used in addressing the Unemployment Insurance and Employment Service program needs on a statewide basis.

The type and level of services provided to UI claimants in general and for profiled claimants in particular through the workforce development system under the one-stop concept should be clearly defined and documented. One-stop service providers must be accountable for their activities 'in assisting UI claimants and a clear and measurable relationship between the expected outcomes and any costs must be developed and maintained.

The determination of an individual's initial or continuing eligibility for UI benefits must remain the sole responsibility of staff under the direction and control of the state agency designated to administer the UI program. Eligibility and/or work test issues which may arise as a result of a claimant's action or inaction relative to a reemployment plan or



program developed in cooperation with a workforce development service provider should be subject to examination and, if warranted, a determination regarding a claimant's continued eligibility should be issued by a responsible UI staff member. This is necessary to ensure the quality and consistency of such determinations and to protect the due process rights of claimants.

States should be encouraged to streamline their UI program operations through the introduction of new technologies and processes. Flexibility and safeguards must exist to ensure that any savings realized through these efforts are redirected to meet state UI program needs. States should not be penalized for introducing innovative changes through either a reduction of funding levels or restrictions on the use of these funds.

The SESAs should ensure that procedures and appropriate controls are in place regarding the availability and release of UI claimant and employer records which are consistent with laws and regulations that protect the confidentiality of this information. The confidentiality of the data must continue to be protected under any data sharing agreements. Wage report data submitted by employers may, however, be made available for purposes that advance the objectives of a state's workforce development system.

September 18, 2008 – adopted by the NASWA membership during its 2008 Annual Meeting



SECTION II

OTHER NASWA POLICY



19 – NASWA LETTER

**INCREASE WAGNER-PEYSER FUNDING TO \$1.4
BILLION ANNUALLY**



December 12, 2008

The Honorable David Obey
Committee on Appropriations
Subcommittee on Labor, Health and Human
Services, Education and Related Agencies
2358 Rayburn House Office Building
Washington, D.C. 20515-6024

Dear Chairman Obey:

I am writing to support economic stimulus appropriations of \$250 million for Reemployment Services (RES) to unemployment insurance claimants and an annual appropriation of \$1.4 billion to restore funding to the 1984 inflation-adjusted level under the Wagner-Peyser Act for employment services. At a time when the federal government is on the verge of funding infrastructure projects in the states, this funding will facilitate the reemployment of unemployment insurance claimants and other workers, and provide workers for “shovel-ready” projects.

Mr. Chairman, I am concerned that many have bought into a myth that state public employment services are somehow ineffective. This myth has been fueled, in part, because the U.S. Department of Labor blocked the release of studies showing employment services to be highly cost-effective with benefit-cost ratios of around \$2 to \$1. Misinterpretation of Bureau of Labor Statistics surveys might also have contributed to the myth. In addition, local advocates far outnumber the 50 states plus D.C. and Puerto Rico when it comes to advocating for their funding needs.

State workforce agencies have powerful comparative advantages in the web-based public-private national labor exchange, state job banks, rapid response to unpredictable worker dislocations, reemployment of unemployment insurance claimants, core and intensive services, and labor market information. Investing in reemployment services alone can reduce the average duration of unemployment by at least one week and save over \$3 billion per year for the federal government. And, investing in employment services improves the efficiency of the labor market, which benefits employers, workers, federal and state government budgets, and our economy as a whole.

As Congress considers its economic stimulus package, please ensure it includes \$250 million for reemployment services and future annual appropriations reach the 1984 inflation-adjusted level of \$1.4 billion for Wagner-Peyser Act employment services.



Similar funding worked during the Great Depression. It continued to work despite the efforts of some to discredit these vital services. And, it will work during this economic crisis.

Thank you for your consideration. If you have questions, please contact NASWA Executive Director Rich Hobbie on 202.434.8022.

Sincerely,

Thomas S. Whitaker
President and Deputy Chairman
North Carolina Employment
Security Commission



20 -- WORKFORCE COALITION
LETTER INCREASE WORKFORCE FUNDING BY
\$1.5 BILLION



November 17, 2008

The Honorable Harry Reid
United States Senate
Washington, DC 20510

The Honorable Richard Durbin
United States Senate
Washington, DC 20510

The Honorable Tom Harkin
United States Senate
Washington, DC 20510

The Honorable Edward Kennedy
United States Senate
Washington, DC 20510

The Honorable Patty Murray
United States Senate
Washington, DC 20510

Dear Senators Reid, Durbin, Harkin, Kennedy, and Murray:

As organizations committed to a strong national workforce, we are writing to express our great appreciation for your inclusion of provisions designed to assist our nation's workers in the economic stimulus plan offered in September. In particular, we applaud the \$600 million in funding for workforce development programs.

Our nation's ability to emerge quickly from the current recession will rely in considerable measure on our ability to create good jobs. Our diverse coalition of organizations is focused on producing skilled workers for emerging job needs all across our economy, whether in transportation, infrastructure, green energy, or other industries. We strongly believe that workforce development is a critical component of our economic recovery, helping workers make difficult transitions; and helping communities rebuild their economies.

Over fourteen million workers annually receive assistance from our nation's workforce system and these numbers are continuing to rise as the recession deepens. Unfortunately, our ability to assist those in need is limited by our funding constraints. Since FY 2001 funding for training and employment services has been cut by over \$1.7 billion, when adjusted for inflation, yet there are four million more workers unemployed today than in 2001.

The Bureau of Labor Statistics Current Population Survey indicates that 2.5 million more American workers are unemployed today than at the beginning of this year. Along with



those unemployed, 6.7 million workers can only find part time work when they would prefer to be employed full time, an increase of 2.3 million over the past year. In addition, the latest economic forecasts project unemployment will substantially worsen in the coming months

The Center for Labor Market Studies at Northeastern University found the situation for our youth is even worse. The youth employment rate this past summer was the lowest in over sixty years, and only 32.7 percent of teens were able to obtain a summer job. In fact, the employment rate for teens was nearly one-third below employment rates in 1989, the largest decline for any demographic group in the post World War II era. If we do not address this problem, it appears inevitable that a smaller share of youth will work next summer than in any summer in modern American history

We realize there are many competing needs in our struggling economy, so we greatly appreciated the proposed \$600 million in badly needed workforce development funding in September's stimulus package. However, given the economy's devastating impact on America's workers, **if your next economic stimulus package includes expanded overall funding, we would recommend that \$1.5 billion be designated for workforce programs in the next stimulus package, including: \$500 million for Dislocated Workers; \$500 million for disadvantaged Youth; \$250 million for low income Adults; and \$250 million for reemployment services targeted to those most likely to exhaust their unemployment benefits.** This additional funding would allow the workforce system to provide employment related assistance to hundreds of thousands of job seekers and training for up to 350,000 additional workers.

Thank you for your leadership in recognizing the need to assist America's workers through these investments in workforce development and transition assistance -- essential to creating new jobs, to helping workers fill those new jobs, and to restoring our economic engine.

Sincerely,

American Association of Community Colleges (AACC)
American Federation of Labor-Congress of Industrial Organizations (AFL-CIO)
American Federation of State, County and Municipal Employees (AFSCME)
American Federation of Teachers (AFT)
Association of Farmworker Opportunity Programs (AFOP)
Center for Law and Social Policy (CLASP)
The Corps Network
Easter Seals
Experience Works
Goodwill Industries International
National Association of Development Organizations (NADO)
National Association of State Workforce Agencies (NASWA)
National Association of Workforce Boards (NAWB)
National Association of Workforce Development Professionals (NAWDP)



National Center on Education and the Economy (NCEE)
National Workforce Association (NWA)
National Youth Employment Coalition (NYEC)
United States Conference of Mayors (USCM)
USA Works!
Wider Opportunities for Women
Women Work! The National Network for Women's Employment
The Workforce Alliance



21 – NASWA LETTER
SUPPORT \$6 BILLION SPECIAL REED ACT
DISTRIBUTION



444 N. Capitol Street NW, Suite 142, Washington, DC 20001
202-434-8020 fax 202-434-8033 www.WorkforceATM.org

October 24, 2008

The Honorable Jim McDermott
Chairman,
Subcommittee on Income Security and Family Support
Committee on Ways and Means
United States House of Representatives
B-317 RHOB
Washington, D.C. 20510

Dear Chairman McDermott:

The National Association of State Workforce Agencies (NASWA) strongly supports including a \$6 billion "Special Reed Act Distribution" to state unemployment insurance programs in an economic stimulus package to be enacted before the end of this year. NASWA further supports allocating 10 percent of these funds for administration of unemployment insurance, employment services and labor market information.

Funds for a \$6 billion Reed Act distribution would come from excess funds in the Federal Unemployment Account (FUA) of the Unemployment Trust Fund.

Economic stimulus would come from the funds deposited in the respective state accounts of the unemployment trust fund that would fund unemployment benefits, and avoidance of tax increases and state unemployment insurance program borrowing during a recession.

I have attached two charts that show the development of excess funds in the FUA account since 1988 that could be spent on a \$6 billion Special Reed Act Distribution.

- The first chart, *Federal Loans as a Percent of Total Wages Compared to the Federal Unemployment Account Ceiling*, shows how the federal government overreacted to substantial loans taken out by states in the 1970s and 1980s and increased the ceiling in the loan account well in excess of what has been needed for loans to state unemployment insurance programs during recessions. Even with a recession built into recent projections by the Administration, projected loans barely exceed one-fifth of the ceiling of 0.50 percent of total unemployment insurance covered wages paid by employers in the prior year.



Page 2
October 24, 2008
The Honorable Jim McDermott

- The second chart, FUA Ceiling Amount, FUA Loans to States and Balance of the FUA Account, converts the ceiling and loan percents in the first chart to dollars and compares them to the dollar balance in the FUA account. It shows there is more than enough funds in the FUA to cover a \$6 billion Special Reed Act Distribution. The ceiling grows dramatically to nearly \$31 billion and the balance rises to nearly \$16 billion by 2012. However, loans peak at only about \$8 billion in 2010.

A recent successful precedent for this proposal was an \$8 billion Special Reed Act Distribution enacted under the Job Creation and Worker Assistance Act of 2002 (P.L. 107-147). An enclosed comprehensive analysis funded by the U.S. Department of Labor (USDOL) found it stimulated the economy through cuts in state unemployment taxes, increases in benefits, and more spending on unemployment insurance administration, and employment services. These effects were temporary, targeted on low-wage workers and unemployed workers, and they were timely.

Mr. McDermott, the federal-state unemployment insurance system is in a precarious position as we enter into a period of likely recession. Many State unemployment trust fund account balances are low, unemployment insurance administration remains underfunded, and employment services and labor market information programs have been cut. The system needs additional funding to do its job effectively during very trying times. If it does not receive funding, we fear states will have to increase unemployment taxes and cut benefit payments at a time when workers can least afford such actions.

Please consider this proposal and include it in the economic package Congress might well pass this year. The wellbeing of many unemployed workers depends in part on this funding.

If you have questions about this proposal, please contact NASWA Executive Director Rich Hobbie at 202.434.8022 or rhobbie@naswa.org.

Sincerely,

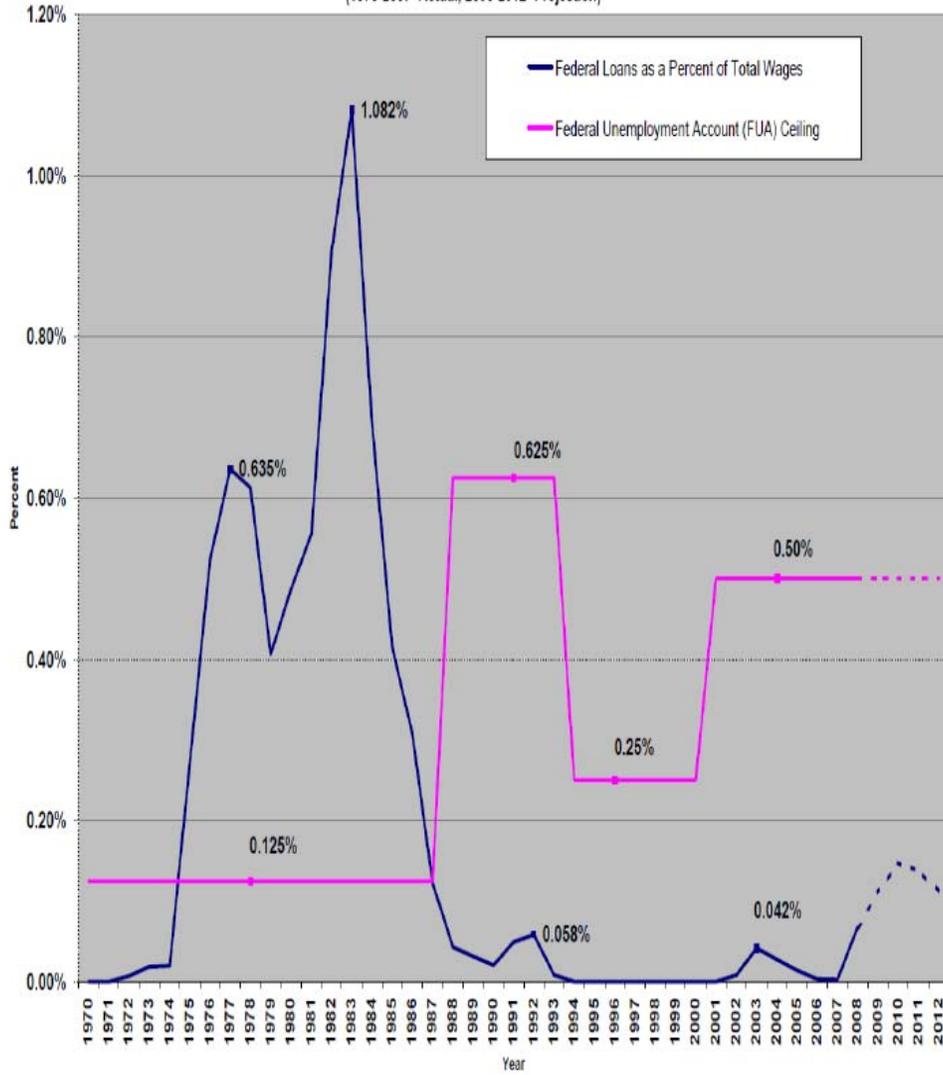
Thomas S. Whitaker
President

Enclosure



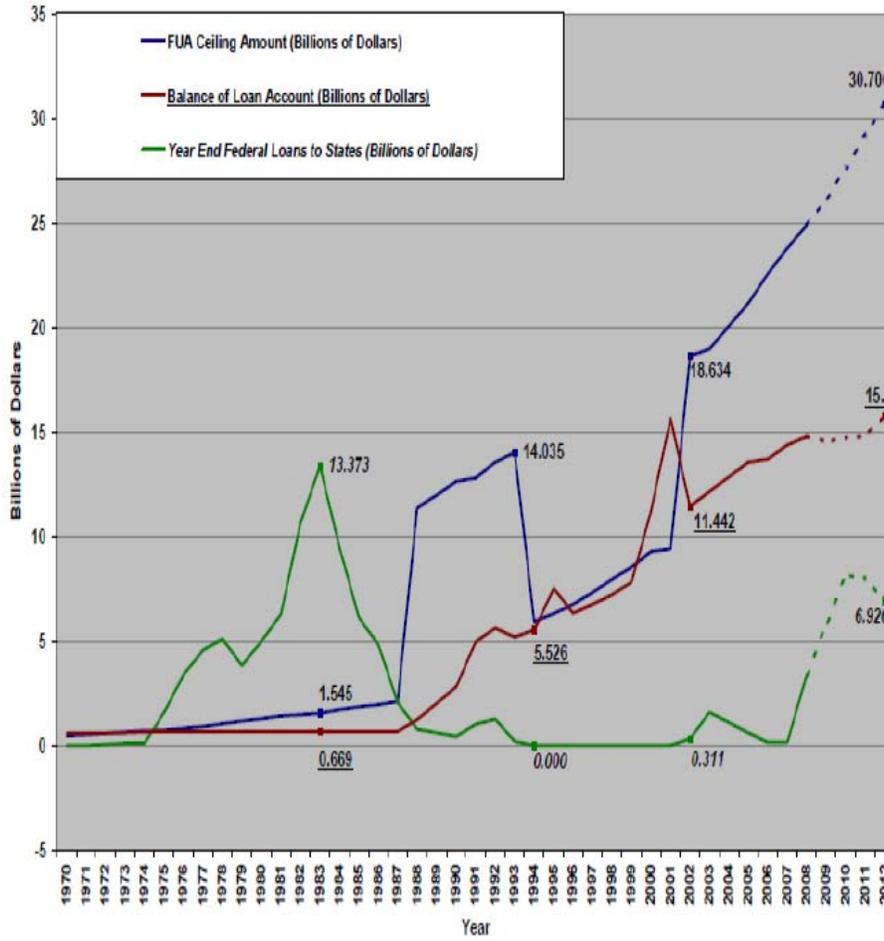
Federal Loans as a Percent of Total Wages Compared to Federal Unemployment Account Ceiling, 1970-2012

(1970-2007=Actual, 2008-2012=Projection)





FUA Ceiling Amount, FUA Loans to States and Balance of FUA Account, 1970-2012
(Billions of Dollars; 1970-2007=Actual, 2008-2012=Projected)





Special Reed Act Distribution Talking Points

- A Reed Act distribution provides an infusion of dollars directly to state unemployment trust fund accounts.
- States may use these funds for state unemployment insurance benefits, employment services, labor market information, administration of unemployment insurance programs, and avoid payroll tax increases or expensive borrowing from the federal government.
- A Reed Act distribution gives states an opportunity to make significant improvements in unemployment insurance and employment service operations in areas where federal grants have not been sufficient.
- A Reed Act distribution benefits all states. When the federal government transfers Reed Act funds into the state accounts of the Unemployment Trust Fund, the solvency of each state UI program immediately improves. At least 30 states are estimated to have solvency concerns.
- While NASWA does not have a position on UI modernization, only 20 states would immediately benefit. Other states would have up to five years for their state legislatures to enact benefit expansions to earn incentive payments.
- A Reed Act distribution is temporary, timely and targeted.
 - Temporary because it is a one-time infusion of \$6 billion into state unemployment trust fund accounts;
 - Timely with benefits occurring within two years;
 - Targeted to provide fiscal relief to States and
 - low-wage workers with employment services and;
 - reduces the burden of unemployment taxes on low-wage workers, not employers.
- The 2002 Reed Act distribution had a significant impact on states' ability to respond to the economic downturn beginning in 2001. A comprehensive analysis found it stimulated the economy through cuts in state unemployment taxes, increases in benefits, and more spending on unemployment insurance administration, and employment services.



- The federal-state unemployment insurance system is in a precarious situation. Many State unemployment trust fund account balances are low, unemployment insurance administration remains under funded, and employment services and labor market information programs have been cut. Without a direct Reed Act distribution benefiting all states, we fear states will have to increase unemployment taxes and cut benefit payments at a time when workers can least afford such actions.



Reed Act Distribution, Questions and Answers

What is the Reed Act?

The Reed Act provides for a distribution of federal unemployment tax funds to state unemployment insurance (UI) accounts in the federal unemployment trust fund when the federal government has collected excess federal unemployment tax revenue. The term “Reed Act” refers to a part of the Employment Security Administrative Financing Act of 1954. This legislation amended Titles IX and XII of the Social Security Act (SSA) to establish the basic structure of the unemployment trust fund.

What Does the Reed Act Do?

The Reed Act provides a direct infusion of dollars directly to state unemployment trust fund accounts. These funds can be used to pay benefits, or states can appropriate them for administration of employment services or unemployment insurance.

When Have Reed Act Distributions Occurred?

Although Reed Act distributions had been activated in the late 1950s, recent Reed Act distributions occurred in five consecutive years beginning with the Taxpayer Relief Act of 1997 of \$100 million in each of the years 1999, 2000, and 2001. In addition, a \$16 million Reed Act distribution occurred in fiscal year 1999. The last Reed Act distribution of \$8 billion occurred in March 2002.

How Does the Reed Act Help States?

States may use the Reed Act Distribution to cover the cost of state unemployment insurance benefits, employment services, labor market information, and administration of unemployment insurance programs. A Reed Act distribution gives states an opportunity to make significant federal improvements in unemployment insurance and employment service operations in areas where grants have not been sufficient.

How Do States Use Reed Act Dollars?

States may use a Reed Act Distribution to pay for or enhance UI benefits. These enhancements could include increasing weekly benefit payments, extending the period of time benefits are paid, or otherwise expanding eligibility to groups that currently do not qualify for benefits. The funds may also be used for the administration of unemployment insurance and employment services programs, including one-stop service centers. In the 2002, the U.S. Department of Labor suggested uses of the Reed Act distribution for administrative purposes. (Click [here](#) for the USDOL guidance)

When was the Most Recent Reed Act Distribution?



In response to the economic recession beginning in 2001, Congress passed the Job Creation and Worker Assistance Act of 2002 (P.L. 107-147). About \$13 billion of the estimated net cost of the Act over five years stemmed from a temporary extension of unemployment compensation during 2002 and an \$8 billion “Special Reed Act Distribution” to the state accounts of the unemployment trust fund on March 13, 2002.

Was the 2002 Reed Act Effective and did it Stimulate the Economy?

Yes. The 2002 Reed Act distribution was seen as having a significant impact on the economy and on states’ ability to respond to the economic downturn beginning in 2001. A comprehensive analysis funded by the U.S. Department of Labor (USDOL) found it stimulated the economy through cuts in state unemployment taxes, increases in benefits, and more spending on unemployment insurance administration, and employment services. These effects were temporary, targeted on low-wage workers and unemployed workers, and they were timely. The 174 page analysis can be found on the USDOL website by clicking [here](#):

What Were Specific Findings of the 2002 Special Reed Act Distribution?¹

A February 2004 NASWA survey shows:

- States are not “sitting on the funds.” The funds have been used for their intended purposes - economic stimulus, improved UI benefits and administration, and employment services.
- The \$8 billion Reed Act distribution has provided effective economic stimulus through not only state spending of about \$4 billion on benefits, UI administration, and employment services, but also on substantial state unemployment payroll tax cuts for employers exceeding \$4 billion.
- The \$8 billion Reed Act distribution has improved state unemployment trust fund solvency, but many states are in need of loans or will be in need of loans if they do not raise taxes, cut benefits, or receive another Reed Act distribution.
- Another substantial Reed Act distribution probably would stimulate further the economy by increasing spending on benefits, employment services, and UI administration and would increase employment by cutting unemployment taxes on employer payrolls.

Is there information on how each state specifically used the 2002 Special Reed Act Distribution?

Yes, please see attachment two called, “General State Responses to Reed Act Distribution Survey” taken from the Fall, 2003 NASWA Survey.

Why Should a Reed Act Distribution be Included in the Current Economic Stimulus Package?

The federal-state unemployment insurance system is in a precarious position as we enter into a period of likely recession. Many State unemployment trust fund account balances are low, unemployment insurance administration remains under funded, and employment services and labor market information programs have been cut. The system needs additional funding to do its job effectively during very trying times. If it does not receive funding, we fear states will have to increase unemployment taxes and cut benefit payments at a time when workers can least afford such actions.

Will a Reed Act Distribution Take Away Dollars to Fund Loans to the States?

No. Funds for a \$6 billion Special Reed Act distribution would come from excess funds in the Federal Unemployment Account (FUA) of the unemployment trust fund. There are more than



enough funds in the FUA to cover a \$6 billion Special Reed Act Distribution. The projected FUA ceiling grows dramatically to nearly \$31 billion and the balance rises to nearly \$16 billion by 2012. However, loans peak at only about \$8 billion in 2010.

Will a Reed Act Distribution Reduce Dollars for Extended Benefits?

No. The \$6 billion Reed Act distribution comes from excess funds in the Federal Unemployment Account (FUA) of the unemployment trust fund. Extended Unemployment Insurance Benefits is funded through the Extended Unemployment Compensation Account (EUCA) which had a balance of \$18.6 billion as of October 23rd.

Why should Reed Act Dollars be used to Lower Payroll Taxes?

Because most UI taxes are shifted by employers onto workers in the form of lower wages or less employment than would exist otherwise, cutting employer taxes not only stimulates the economy, but it also puts money in the hands of workers. However, with 30 State funds nearing insolvency, as measured by High Cost Multiples at or less than 0.50, many States are looking towards increasing employer payroll taxes to avoid insolvency.

Can a Reed Act Distribution Improve the Solvency of UI Funds?

Yes. When the federal government transfers Reed Act funds into the state accounts of the UTF, the solvency of each state UI program immediately improves. For those states nearing or at trust fund insolvency, they will not be able to pay out regular benefits without borrowing from the federal government (with interest) or raising taxes.



	State	AHCM+	HCM+	Trust Fund Balance (Millions)	Trust Fund as % of Total Wages	Available Funds from 2002 Reed Act Distribution (Millions)	Potential \$6 Billion Distribution (Millions)
1	Michigan	0	0	50	0.03	0	193
2	New York	0.09	0.04	434	0.2	0	341
3	Missouri	0.12	0.07	233	0.26	0	116
4	Ohio	0.12	0.09	306	0.2	192	236
5	New Jersey	0.21	0.11	819	0.45	173	181
6	North Carolina	0.23	0.13	395	0.34	0	177
7	South Carolina	0.26	0.13	69	0.19	88	79
8	Kentucky	0.21	0.16	148	0.37	0	76
9	Arkansas	0.32	0.18	142	0.46	47	49
10	California	0.27	0.18	1450	0.28	115	723
11	Indiana	0.29	0.2	54	0.1	109	124
12	Connecticut	0.54	0.23	547	0.72	45	72
13	Wisconsin	0.29	0.23	397	0.49	127	121
14	Pennsylvania	0.3	0.25	1401	0.78	138	238
15	Rhode Island	0.38	0.25	110	0.79	4	21
16	South Dakota	0.33	0.25	30	0.29	19	15
17	Massachusetts	0.5	0.28	1462	0.95	0	138
18	Illinois	0.35	0.3	1800	0.79	0	269
19	Minnesota	0.38	0.3	642	0.6	0	120
20	Tennessee	0.48	0.3	530	0.62	87	115
21	Alabama	0.52	0.33	375	0.67	96	85
22	Idaho	0.47	0.35	131	0.72	13	27
23	West Virginia	0.45	0.35	255	1.38	32	28
24	Texas	0.45	0.41	1566	0.42	0	464
25	Delaware	0.9	0.42	148	0.96	0	20
26	Georgia	0.98	0.43	1065	0.81	199	186
27	New Hampshire	1.19	0.44	181	0.9	23	28
28	Arizona	1.12	0.45	932	1.08	141	124
29	Virginia	0.71	0.45	701	0.54	2	165
30	Florida	1.05	0.46	1603	0.69	391	379



	State	AHCM+	HCM+	Trust Fund Balance (Millions)	Trust Fund as % of Total Wages	Available Funds from 2002 Reed Act Distribution (Millions)	Potential \$6 Billion Distribution (Millions)
31	Maryland	0.79	0.53	867	0.99	137	111
32	Colorado	0.67	0.59	694	0.78	9	105
33	Nevada	1.02	0.63	709	1.5	56	63
34	Iowa	0.88	0.68	791	1.77	0	62
35	Virgin Islands	0.8	0.7	13	1.3	103	2
36	North Dakota	0.79	0.71	147	1.57	7	12
37	Vermont	1.2	0.71	154	1.91	10	12
38	Kansas	0.97	0.72	617	1.37	38	70
39	Nebraska	1.19	0.73	297	1.17	14	36
40	Puerto Rico	1	0.73	518	3.24	0	36
41	Alaska	1.07	0.77	364	3.35	0	13
42	District of Columbia	1.1	0.79	416	1.48	12	21
43	Montana	1.45	0.82	288	2.37	0	16
44	Louisiana	0.94	0.83	1474	2.51	94	79
45	Wyoming	1.15	0.97	264	2.87	0	11
46	Washington	1.53	0.98	4206	3.88	128	127



	State	AHCM+	HCM+	Trust Fund Balance (Millions)	Trust Fund as % of Total Wages	Available Funds from 2002 Reed Act Distribution (Millions)	Potential \$6 Billion Distribution (Millions)
47	Maine	1.64	1.12	469	3	23	24
48	Oregon	1.46	1.14	2119	3.92	30	74
49	Utah	1.47	1.17	853	2.29	46	50
50	Mississippi	1.7	1.32	704	2.5	45	47
51	Oklahoma	1.51	1.39	853	1.84	37	63
52	Hawaii	1.88	1.5	460	2.68	21	26
53	New Mexico	1.88	1.6	534	2.38	0	32

AHCM: The Average High Cost Multiple indicates how many years a state could pay benefits if it were to pay an amount equivalent to the average amount paid out during the three highest 12-month cost periods during the previous 20 years, without collecting any additional revenue. Many labor experts have recommended an average high-cost multiple of 1.5. This means that a state would have enough money in its trust fund account to pay benefits for 1.5 years at a rate equivalent to the average of the three worst 12-month periods in the state's history without the benefit of any revenue inflow. These figures reported by USDOL in Unemployment Insurance Data Summary, 3rd Quarter 2008.

HCM: High Cost Multiple indicates how many years a state could pay benefits if it were to pay an amount equivalent to the highest 12-month cost periods, without collecting any additional revenue. A high-cost multiple of 1.5 means that a state would have enough money in its trust fund account to pay benefits for 1.5 years at a rate equivalent to the worst 12-month period in the state's history without the benefit of any revenue inflow. These figures reported by USDOL in Unemployment Insurance Data Summary, 3rd Quarter 2008.

Trust Fund Balance: as of 11/13/2008

Trust Fund as a % of Total Wages: figures reported by USDOL in Unemployment Insurance Data Summary, 3rd Quarter 2008.

Available Funds from 2002 Reed Act Distribution: as of 9/1/2008



Potential \$6 Billion Distribution: Calculated using UI tax data from FY 2006.



22 – NASWA LETTER
PRIORITY OF SERVICE, NOTICE OF PROPOSED
RULEMAKING



444 N. Capitol Street NW, Suite 142, Washington, DC 20001
202-434-8020 fax 202-434-8033
www.WorkforceATM.org

October 14, 2008

Gordon Burke, Director
Office of Grants and Transition Programs
Employment and Training Administration
U.S. Department of Labor
200 Constitution Avenue, NW.,
Room S-1312
Washington, DC 20210

Ref: Regulatory Information Number (RIN) 1293-AA15

Dear Mr. Burke:

This correspondence provides comments to the Notice of Proposed Rulemaking to implement priority of service in qualified job training programs prescribed in the Jobs for Veterans Act. The proposed rule was published in the *Federal Register* on August 15, 2008.

This response is from the National Association of State Workforce Agencies (NASWA), representing the State Workforce Agencies (SWA) across the country. Our members are the primary grant recipients for most of the programs covered by the Priority of Service for Veterans and Eligible Spouses regulations. The SWAs also have oversight for the DVOP and LVER programs in all but one state. We appreciate the opportunity to comment on the proposed regulations governing priority of service.

First, we want to emphasize our support for establishing regulations to clarify the initial criteria published in the September 16, 2003, Training and Employment Guidance Letter (TEGL) No. 5-03; Implementing the Veterans' Priority Provisions of the "Jobs for Veterans Act" (PL 107-288). The information in TEGL 5-03 was general guidance to states and one-stop systems, not specific to any program. The follow-up action of posting specific program information on the Employment and Training (ETA) website was vague and difficult to track.

With the diminishing funding of workforce programs, combined with increasing needs for employment assistance and job training, it is more important than ever to have clear and efficient regulations and policies for providing priority of service for veterans and covered persons. It is important that regulations – and policies – are easily understood by front-line staff members who have are responsible for providing a wide range of programs to a broad spectrum of applicants or system customers.

...strengthening the workforce system through information exchange, liaison and advocacy.



We struggle with the fine line between asking for clarification or specific guidance so everyone is on the same page, with asking for flexibility to meet the individual needs of customers of the workforce system. In general, we agree with most of the criteria published in the August 15, 2008, *Federal Register*. However, we do offer a few comments and recommend a few changes.

First, states and one-stop centers face difficulty in coordinating service for veterans among different programs because of the wide variance for the definition of a “veteran” or “covered persons.” We applaud the effort to provide more common definitions for these terms in the proposed regulations, but recommend a more succinct definition.

The proposed regulations defines a veteran as specified in 38 U.S.C. 101(2), but states it is functionally equivalent to the definition in the Workforce Investment Act (WIA). The definitions are different. We suggest picking one and using it throughout the regulations. We do not offer a recommendation regarding which definition to use, but offer our assistance to work with the U.S. Department of Labor and State Workforce Agencies to determine the most efficient and just definition.

The definition for either or both terms (covered persons and veteran) should also include National Guard and Reservists who have been activated and then separated under honorable conditions. The “covered persons” definition should be clarified to include spouses of service members who die on active duty.

NASWA is concerned with the requirement for states to make modifications to computer systems to ensure compliance with the requirements of the priority of service regulations. If no additional funds are provided by ETA or the Veterans Employment and Training Service, states will need to rely on the ever diminishing current funding to implement the changes. This will further deplete services to veterans and the general population.

We are concerned with the self-registration process and how priority of service should be applied. There are many questions regarding the services provided in a resource room or at the initial stage of application. At what point does an applicant identify he/she is a veteran? What definition of a veteran applies? What is the process for “bumping off” a non-veteran? We are confused with the requirements for recording the covered person “Entry Date.” We recommend these issues be further developed beyond what is in the *Federal Register* notice. NASWA would be willing to assist in this matter.

Thank you for the opportunity to provide comments on the priority of service to veterans and eligible spouses. NASWA stands ready to assist in further defining criteria and to participate in policy development.

Sincerely,

Bob Simoneau

...strengthening the workforce system through information exchange, liaison and advocacy.



23 – NASWA LETTER
MORATORIUM ON H-2A PROPOSED
REGULATION



444 N. Capitol Street NW, Suite 142, Washington, DC 20001
202-434-8020 fax 202-434-8033 www.WorkforceATM.org

April 24, 2008

The Honorable David Obey
Chairman,
Committee on Appropriations
2358 Rayburn House Office Building
Washington, D.C. 20515-6024

Dear Chairman Obey,

We are writing to request a moratorium on the February 13, 2008, Notice of Proposed Rulemaking regarding the "Temporary Agriculture Employment of H-2A Aliens in the United States" issued by the U.S. Department of Labor (USDOL). The effect of such moratorium should also extend to the employment verification provision in USDOL's Training and Employment Guidance Letter (TEGL) No. 11-07, Change 1, titled "Clarification of Certain Procedures for Processing H-2A Labor Certification Applications.

In view of the budget cuts to the Fiscal Year 2008 USDOL appropriations and the \$250 million rescission to workforce programs recently implemented, many State Workforce Agencies (SWAs) are facing serious funding constraints. According to our membership, without providing additional resources to cover other costs, it is not realistic to expect many SWAs to administer the employment eligibility requirement without reducing other workforce services.

Guidance from the Employment and Training Administration (ETA) directs SWAs to use Wagner-Peyser funds to cover an already under funded foreign labor certification program. However, the Wagner-Peyser program has been under funded too, requiring states to reduce employment services for employers and job seekers or seek other federal or state funds. It is ironic that ETA directs states to use Wagner-Peyser funds to assist the H-2A program while it recommends elimination of the Wagner-Peyser program.

NASWA is concerned the employment eligibility verification provision satisfies the definition of "Federal Mandate" as defined in 2 U.S.C. 658(6) because it imposes an

...strengthening the workforce system through information exchange, liaison and advocacy.



enforceable duty upon States whose non-compliance would result in a loss of state grants. TEGL No. 11-07, Change 1, maintains, as a condition of a state's receipt of grant funds under the Wagner-Peyser Act, the SWA has a legal responsibility to verify employment eligibility and failure to do so would jeopardize grant funds.

While some states, such as Texas, are conducting the employment verification, such an approach will not be possible in many states because of significant obstacles, ranging from insufficient funding to legal concerns with the proposed rule. Rather than providing a stable, predictable and legal workforce in American agriculture, the system in many states does not and will not work. A moratorium is needed allowing states and other interested parties to work with the USDOL to address these and other issues raised in more than 1,000 comments submitted in response to the proposed rule.

We appreciate your consideration of our request.

Sincerely,

Larry Temple
NASWA President and
Executive Director,
Texas Workforce Commission



24 – NASWA TESTIMONY

FISCAL YEAR 2009 APPROPRIATIONS REQUEST



**NATIONAL ASSOCIATION OF STATE WORKFORCE AGENCIES (NASWA)
STATEMENT ON FISCAL YEAR 2009 APPROPRIATIONS**

**SUBMITTED BY LARRY TEMPLE
NASWA PRESIDENT AND EXECUTIVE DIRECTOR,
TEXAS WORKFORCE COMMISSION**

ON MARCH 11, 2008

**TO THE HOUSE COMMITTEE ON APPROPRIATIONS
SUBCOMMITTEE ON LABOR, HEALTH AND HUMAN SERVICES, AND
EDUCATION**

The National Association of State Workforce Agencies (NASWA) recommends the following fiscal year 2008 and 2009 appropriations in order to maintain our nation's commitment to the workforce investment system. Amounts requested below are the levels appropriated for the workforce system in fiscal year 2005 unless otherwise noted.

Supplemental Appropriations Request

Up to \$110 million for grants to states for administration of state unemployment insurance programs in fiscal year 2008.

Unemployment Compensation

\$3 billion for the state administration of unemployment compensation.

(This amount represents approximately \$300 million more than requested by the Administration for operations and \$100 million more for updating information technology)

Workforce Investment Act

\$1.5 billion for dislocated worker state allocations.

\$891 million for adult employment and training activities.

\$987 million for Youth training activities.

Employment Services

\$781 million for employment service state allocations.

\$40 million for reemployment services grants.

\$98 million for one-stop/America's Labor Market Information System.



**NATIONAL ASSOCIATION OF STATE WORKFORCE AGENCIES (NASWA)
STATEMENT ON FISCAL YEAR 2009 APPROPRIATIONS**

**SUBMITTED BY LARRY TEMPLE
NASWA PRESIDENT AND EXECUTIVE DIRECTOR,
TEXAS WORKFORCE COMMISSION**

ON MARCH 11, 2008

**TO THE HOUSE COMMITTEE ON APPROPRIATIONS
SUBCOMMITTEE ON LABOR, HEALTH AND HUMAN SERVICES, AND
EDUCATION**

Mr. Chairman and Members of the Subcommittee, thank you for the opportunity to testify today on appropriations for the nation's publicly-funded workforce system. The National Association of State Workforce Agencies (NASWA) submits this testimony for the record.

The mission of NASWA is to serve as an advocate for state workforce programs and policies, as a liaison to workforce system partners, and as a forum for the exchange of information and practices. Our organization was founded in 1937. Since 1973 it has been a private, non-profit corporation, financed by annual dues from member agencies.

Since the passage of the Wagner-Peyser Act of 1933, the nation's publicly-funded workforce system has assisted workers and businesses respond to local, regional, and global economic change. Whether temporary or permanent, such economic change demands continued commitment by the federal government to fund the system.

Serving close to 19 million workers last year, the publicly-funded workforce system is vital to the economic well being of the nation. These programs -- Workforce Investment Act (WIA), Veterans' employment and training services, Labor Market Information (LMI), Unemployment Insurance (UI) and Employment Service (ES) -- are the foundation of the publicly-funded workforce system and have served the nation's workers and businesses well.

Whether it was during the mass dislocations of workers following the terrorist attacks of September 11, 2001, rapid response and sustained assistance following Hurricanes Katrina and Rita, assisting returning veterans from the wars in Iraq and Afghanistan, or responding to innumerable plant closures around the country, the publicly-funded workforce system continues to prove its effectiveness in good and bad times.

Today, as the nation's economy continues to weaken, millions of Americans are looking to the workforce system for help finding a job or learning new skills. Record numbers of workers, anticipated to reach 20 million in 2008, are obtaining services through the 3,200 one-stop career centers across the nation.

Last week's press release by the Department of Labor on March 7 told us that the nation's payroll job count declined slightly and the news has been full of reports of a slower growing economy. But I also look at it from another perspective.



While on net that may be fewer jobs than a month earlier (-63,000), many employers are growing and adding to their workforce. Many more employers are looking for workers, skilled workers, to help them move their businesses forward. During the same period over 4.6 million new hires were reported. Our first line of defense is a workforce system that can help those people who are laid off find new employment as soon as possible so they can continue to support their families.

The economy of each state is different. And even within each state we have employers who are adding jobs and those that are losing jobs. A strong, adequately funded workforce system can meet both needs. In addition, differing needs from state to state also require flexibility in how we are allowed to administer these programs.

Despite the continued success of the publicly-funded workforce system in assisting America's workers, meeting, and in many cases, surpassing performance goals, the system has become a target for cuts in federal funding. Indeed, the adverse effects of the fiscal year 2008 funding bill, which included a rescission of \$250 million for Workforce Investment Act (WIA) programs and an across-the-board 1.74 percent cut, are just beginning to be felt. The unemployment insurance program, the nation's first line of defense in an economic downturn, is in crises and needs an immediate infusion of up to \$110 million dollars to cope with increasing claims.

Given the vital role the nation's publicly-funded workforce system plays, the NASWA membership is disappointed the USDOL Fiscal Year 2009 Budget proposes cuts of more than 30 percent, or \$1.1 billion in workforce programs. While I recognize this Committee must make tough choices on how to allocate discretionary spending, a cut of this magnitude will compound the difficulties state workforce agencies already face as a result of previous cuts and rising unemployment.

Economists have long recognized the best time to invest more in employment and training programs is during a recession because the "opportunity cost" of not working is much lower than during periods of economic growth. Since this "opportunity cost" is the largest cost of enrolling in training, the rate of return on such investments can be significantly higher during brief periods of slow employment growth and recessions.

NASWA 2008 Supplemental Appropriations Request

NASWA strongly supports supplemental appropriations of up to \$110 million for grants to states for administration of state unemployment insurance programs in fiscal year 2008. With rising unemployment this year, states could be forced to administer an average of nearly 400,000 unemployment insurance claims for the year without any federal funding. This lack of funding for the states is unprecedented and could damage the integrity of the system.

I have attached three charts showing the major problem Congress needs to address. These charts show states have not received enough appropriations in fiscal year 2008 to cope with rising unemployment. While Congress provided a trigger mechanism to release additional funds when claims rise above a certain level, that trigger, as calculated by the Congressional Budget Office (CBO), was set too high in relation to the funding that was appropriated, creating a potential funding gap this year.

- The first chart shows the fiscal year 2008 appropriation of \$2,454 million compared to \$2,564 million CBO projects will be required to activate the trigger under its economic assumptions. The gap between these levels of \$110 million is an amount states likely will need if insured unemployment continues to increase this year.



- The second chart shows how much average weekly insured unemployment (AWIU) is funded by the fiscal year 2008 appropriation. States can administer about 2,400,000 claims with the appropriation. Unfortunately, CBO projects 2,786,000 AWIU and the trigger mechanism does not activate additional appropriations until this level is reached. This leaves an unfunded gap of 386,000 AWIU for which states might not receive any administrative funding. As a result of this gap, states likely will reallocate resources toward paying claims and away from such integrity activities as checking for correct determinations of initial and continuing eligibility, ensuring accurate benefit payments, and conducting tax audits. This reallocation of resources away from integrity activities could lead to increased fraud, payments to ineligible claimants, overpayments, and under collection of unemployment taxes at a time of rising demand for benefits.
- The third chart graphically shows insured unemployment already has risen above 2,700,000 since the beginning of fiscal year 2008 last October.

NASWA 2009 Appropriations Request - NASWA asks Congress to restore workforce system appropriations to fiscal year 2005 levels by appropriating \$1,743 million more than USDOL has proposed. The following table summarizes NASWA's request.

Table 1. NASWA's Funding Request for Fiscal Year 2009(\$ in millions)

Program	FY 2008 Appropriation	USDOL Request	NASWA Request	Difference between NASWA and USDOL
WIA Adult	849	712	891	+179
WIA Dislocated	1,446	1,224	1,500	+276
WIA Youth	924	840	987	+147
Employment Service Grants	703	0	781	+781
Unemployment Insurance grants	2,454	2,623	3,000	+377
Trade Adjustment Assistance	889	959	959	0
Bureau of Labor Statistics	544	593	593	0
One Stop/LMI	52	17	98	+81
Total	6,961	6,968	8,711	+1,743

Workforce Investment Act (WIA) Programs –

NASWA opposes USDOL's proposed 14 percent cut in appropriations for the Workforce Investment Act (WIA) Adult, Dislocated Worker, and Youth programs. The Administration's Fiscal Year 2009 Budget proposed to consolidate these programs, plus the Wagner-Peyser Act employment services grants, into an 80 percent federal and 20 percent state matching grant for untested "career advancement accounts," or CAAs. The Administration said if CAAs are not enacted this year, it proposes a 14 percent cut in the WIA programs anyway.



USDOL only recently has begun evaluating WIA programs. Such a dramatic change in the system should await the results of these evaluations. The USDOL appropriations justification says it began the “first true net-impact study of WIA programs” it calls the “WIA Gold Standard Random Assignment Study” in fiscal year 2007. The WIA Gold Standard Study is being conducted over seven years. States and local workforce investment boards were selected competitively to participate in the study and are being provided incremental funding to participate in the study. The final installment of this incremental funding will not go out until fiscal year 2009. It appears results from this study will not be available until 2014 at the earliest. Only then might we know from this “gold standard study” about the ultimate effectiveness of WIA programs.

USDOL has not evaluated CAAs. Such a radical change to an untested concept should await conclusive evaluation results. USDOL’s appropriations justification says it plans to “bring the expanded Individual Training Account Experiment to closure by publishing a report that determines the net-impacts of training on the original participant’s (sic) employment, retention and earnings.” This report could shed some light on the possible effectiveness of CAAs, but Individual Training Accounts are not identical and the experiment did not test the federal-state matching grant component of CAAs. In addition, USDOL also says it will evaluate “an enhanced training account” in its “gold standard study,” but again it appears these results will not be available until 2014.

WIA programs have been doing well under the Government Performance and Results Act (GPRA) goals.

- The WIA Adult program has three goals measured by the entered employment rate, employment retention rate, and average earnings. For program years 2004 to 2006, the program met the entered employment rate goal in two of the last three years; and it exceeded its employment retention rate and average earnings goals in all of the last three years.
- The WIA dislocated worker program has the same measures of its goals as the WIA Adult program. It met or exceeded its entered employment rate goal in two of the last three years. It met its employment retention goal in one of the last three years, but came within one and two percentage points the other years. And, it exceeded its average earnings goal in program year 2006, the first year the goal was in effect.
- The WIA youth program had a less clear picture because USDOL has been changing and revising performance measures. However, for program year 2006, the youth program met or exceeded two of its goals for which data are available (i.e., percent of participants entering employment or enrolling in post-secondary education, the military or advanced training/occupations skills training in the first quarter after exit and percent of participants who earn a diploma, GED, or certificate by the end of the third quarter after exit.)

Finally, it should be noted states depend on WIA one-stop career center infrastructure to provide services under the Local Veterans Employment Representative (LVER) and Disabled Veterans Outreach Program (DVOP) state grants. Budget cuts already enacted for fiscal year 2008 have reduced the WIA one-stop career center infrastructure support for these programs and further WIA cuts could lead even to office closings. Veterans programs are already strained to provide employment and training services to veterans returning from Iraq and Afghanistan. They can ill



afford to contribute more of their scarce funds to keep offices open that have been funded substantially by WIA and Wagner-Peyser Act appropriations.

2008 WIA Budget Cuts -- Last year, the USDOL requested a rescission of \$335 million in WIA program funding, asserting \$1.2 billion was “unspent carryover” not being used by the states. A NASWA study found the “unspent carryover” was either obligated for services, or set aside by governors to respond to mass-layoffs and other unpredictable economic events. However, as part of the Consolidated Appropriations Act of 2008, WIA program spending was rescinded by \$250 million.

This issue concerns NASWA members because of its impact on services for employers and workers alike. Last October, the Governor of Texas, The Honorable Rick Perry, and five other Governors representing California, Florida, Illinois, New York and Ohio sent to you, Ranking Member Walsh, and Senate Appropriations Committee Chairman Harkin and Ranking Member Specter, a letter outlining the following concerns with the rescission:

- The rescission will have “dramatic and devastating effects on our states’ ability to administer critical education, training and workforce programs;”
- The rescission will “diminish our states’ ability to provide higher-paying, high-demand jobs that advance careers, build more skilled workforce and enhance our states’ efforts to attract, grow and expand job-creating businesses;”
- The rescission will mean “as many as 134,000 working men and women across the nation may not have access to job training services;”
- The “states are spending their Workforce Investment Act funds within the federally authorized three-year period;” and
- “In fact, the GAO report suggests that states spend almost all their program funds within the first two years, with one year left to expend the remaining funds.”

Now that the \$250 million rescission is going into effect, some states will request their state legislatures appropriate additional workforce system funds to maintain service levels; other states will implement hiring freezes and cut staff to keep their one-stop career centers open; and other states will consider closing offices, laying off employees and reducing their training, just to maintain core and intensive services.

Employment Service (ES) Program - NASWA members are alarmed with the USDOL proposal to eliminate state grants for the Wagner-Peyser Employment Services which were funded at about \$703 million in fiscal year 2008. This year, over 13 million American workers will receive employment services, far more than any other employment and training program. At an average cost of only \$55 per participant, employment services are highly cost-effective. The best evidence indicates this returns to society about \$2 for every \$1 invested in the form of higher earnings of participants, more taxes paid, and less income transfers to the unemployed.

The USDOL has proposed eliminating funding for employment services. Why? Because, the USDOL concluded, these services are duplicative of services provided under the Workforce Investment Act (WIA). Under WIA, these “core” services are designed to help someone find a job quickly and the USDOL contends programs like Dislocated Worker, Adult and Youth are already providing these services and states operate duplicative programs.

USDOL acknowledges in their fiscal year 2009 budget justification a majority of the states (35 states) have integrated WP Act services into their one-stop career centers, and only a minority of



states are running separate and duplicative systems of employment services. Because of this alleged duplication of services in a small minority of states, the USDOL concluded all WP Act funds should be eliminated.

Mr. Chairman, about 13 million workers received assistance in one-stop career centers. It makes little sense to eliminate funding for such a cost-effective program based on alleged duplication of services in a small minority of states. In a year when veterans are returning home seeking work and many Americans are losing their jobs, improving integration of WP Act core employment services into WIA one-stop career centers in a few states makes more sense.

Numerous studies have concluded reemployment services are not only successful at job placement and retention, but they are highly cost-effective. This is clearly shown in a study by the National Association of State Workforce Agencies' Center for Employment Security and Research (CESER) authored by Christopher J. O' Leary of the W.E. Upjohn Institute for Employment Research entitled, *UI Work Search Rules and Their Effects on Employment*. Mr. O'Leary reported:

All studies evaluating the effectiveness of the ES consistently report low costs per customer served by the public labor exchange. This is a key to the cost-effectiveness of ES interventions. Even services resulting in a modest reduction in jobless durations show a significant return on public investment when costs are low. Interventions that improve linkages of UI beneficiaries to job search assistance have great potential to increase the efficiency of state workforce investment systems

Unemployment Insurance (UI) Program – NASWA supports the DOL goal to improve the financial integrity of the UI system, but states are finding it increasingly difficult to accomplish. To help achieve this goal, NASWA's request of \$3 billion for state administration of UI in fiscal year 2009 exceeds the DOL request by \$363 million for UI operations and adds \$100 million for needed computer systems modernization. The \$363 million is an additional amount states have said they need as determined under ETA's Resource Justification Model (RJM). The RJM is a tool used by ETA to determine how much states believe they need to administer their UI programs. In addition, the \$100 million would help states modernize their out-of-date information technology.

The UI program is the entry point to the nation's one-stop career center services for workers who lose their jobs. For many workers, this may be their first interaction with the publicly-funded workforce system and as such, it should promote a balanced approach and timely income support, while taking into account the integrity of the program and focusing on re-employment services.

NASWA is pleased the DOL budget includes \$40 million for the Reemployment and Eligibility Assessments (REAs), which are in-person interviews with unemployed workers at one-stop career centers. NASWA believes the REAs should be funded permanently as they have successfully reduced the average duration of UI claimants' benefits and improved the overall integrity of the program. These interviews check on claimants' job search efforts and other requirements and determine continued eligibility to receive UI benefits.

Last year, the Commissioner of the New York State Department of Labor, Patricia Smith, told Congress the REA grant helped New York better determine which re-employment services helped reduce the length of time individuals claimed benefits and found employment. New York found Unemployment Insurance (UI) claimants who received REA services experienced an average two-week reduction in UI benefits when compared to a control group. In addition,



results of the return on investment reaped from the assessments funded by the REA grant have exceeded expectations with estimated UI trust fund savings of \$1.67 million for a return of 250 percent or a benefit-cost ratio of 2.5.

Unemployment insurance administration in addition to employment services, reemployment services (RES) grants for UI claimants, and REAs all need to be funded fully for the UI program to operate efficiently. While NASWA is pleased the budget includes funding for REAs, the lack of funding for state employment services and re-employment services does not achieve the balanced approach that has proven to be a good investment for society, government, employers and workers alike.

Finally, Secretary of Labor Chao stressed in her testimony to the House Labor, Health and Human Services and Education Appropriations Subcommittee last week a desire to improve the financial integrity of the UI System. NASWA strongly supports this goal. The UI program is currently ranked among the highest with overpayments and the accuracy of UI benefit payments is declining. When states are under funded by the federal government, they must shift resources out of integrity promoting activities to make sure they pay benefits on time. This situation likely will grow worse with continued underfunding of grants to states for unemployment insurance administration.

Trade Adjustment Assistance (TAA) – NASWA supports USDOL’s request for \$959 million under current law for TAA in fiscal year 2009. TAA expires at the end of fiscal year 2008 and could be extended or reauthorized. NASWA assumes TAA at least will be extended under current law through fiscal year 2009.

In fiscal year 2007, TAA served 91,701 workers at a cost per participant of \$9,134 and total cost of \$838 million. Reported performance was good. In fiscal year 2007, it appears to have met its entered employment rate goal at 70 percent and exceeded its employment retention rate goal by 3 percentage points at 88 percent. States are continuing to work with USDOL to improve administration of the program, particularly in the areas of outreach to secondary workers and coverage under the Health Care Tax Credit (HCTC.)

Bureau of Labor Statistics (BLS) -- NASWA strongly supports the USDOL proposed 2009 budget for the BLS, increasing funding by 9 percent to \$593 million. We are especially pleased the effort to federalize Current Employment Statistics (CES) Program is not being pursued in fiscal year 2009. The CES program collects information on employment, hours worked, and earnings. The BLS proposes to continue its role of producing national data while the State Workforce Agencies generate figures for States and major metropolitan areas. In addition, the 2009 request restores funds for staff and allows for other inflationary costs not provided under the Consolidated Appropriations Act level in FY 2008.

Labor Market Information (LMI) -- NASWA supports a return to the fiscal year 2005 appropriated level of \$89 million for the One-Stop/America’s Workforce Information Database (WID). Funding for labor market and workforce information has decreased from \$98 million in fiscal year 2005 to \$52 million in fiscal year 2008. The USDOL has proposed reducing funding further to only \$17 million for fiscal year 2009.

If the draconian cuts in LMI grants to states for core products and services proposed by USDOL are enacted, the state role in LMI will be reduced to little more than supporting the federal-state cooperative statistics program of the Bureau of Labor Statistics. Under this scenario, employers, workers, economic developers, educators and others pursuing regional economic development



and global competitiveness will be hampered without the regional data and analysis states can produce to help them plan and make decisions. All of this comes at a time when several innovative state pilot projects have been developed that have the prospects of providing greater support to planning and decision-making of Workforce Development programs. This would be a substantial loss to our economy and our society.

Veterans' Employment and Training Service (VETS) – NASWA supports the USDOL fiscal year 2009 budget request for VETS programs including \$169 million for VETS state administration of the Disabled Veterans Outreach Program (DVOP) and Local Veterans Employment Representative (LVER) Program. However, Congress may want to assess whether additional funding is needed, especially for disabled veterans.

Jobs for Veterans State grants support the delivery of employment services needed by veterans and transitioning service members to promote their success in the civilian workforce. These grants fund over 2,100 DVOPs and LVERs stationed at the nationwide network of over 3,100 one-stop career centers.

Given the increased demand for workforce services from the large number of recently separated veterans, especially disabled veterans, Congress may want to consider the need for additional appropriations. In fiscal year 2007, the state grant program served 850,800 veterans. It is unclear whether a \$7 million increase for fiscal year 2009 can accommodate the approximately 200,000 service members and 90,000 Reserve and National Guard members discharged from active duty annually.

In addition, NASWA members believe annual planning required by the Jobs for Veterans Act will be improved by moving the funding for these programs from a fiscal year to a program year (July 1 to June 30). By using a program year, the plans state workforce agencies submit to USDOL Veterans Employment and Training Service (VETS) will coincide with the program years used by other workforce programs. Funding on a program year supports integrating VETS-funded programs into WIA one-stop career centers systems and planning and performing on the same calendar as other one-stop partners.

Mr. Chairman, NASWA understands the pressures Congress faces as it confronts the task of cutting the federal budget deficit. However, we believe the performance of the publicly-funded workforce system warrants your support. The ability of our nation's employers and workers to respond to the challenges of today's labor market, especially in a weakening economy, depends on it. Thank you for considering our request.



25 - NASWA LETTER
OPPOSITION TO WIA FUNDING CUT



444 N. Capitol Street NW, Suite 142, Washington, DC 20001
202-434-8020 fax 202-434-8033 www.WorkforceATM.org

March 4, 2008

The Honorable Tom Harkin
Committee on Appropriations
Subcommittee on Labor, Health and Human
Services, Education and Related Agencies
131 Dirksen Senate Office Building
Washington, D.C. 20510

Dear Chairman Harkin:

I am writing to oppose the U.S. Department of Labor's (USDOL) proposed 14 percent cut in appropriations for the Workforce Investment Act (WIA) Adult, Dislocated Worker, and Youth programs. The Administration's Fiscal Year 2009 Budget proposed to consolidate these programs, plus the Wagner-Peyser Act employment services grants, into an 80 percent federal and 20 percent state matching grant for untested "career advancement accounts," or CAAs. The Administration said if CAAs are not enacted this year, it proposes a 14 percent cut in the WIA programs anyway.

USDOL only recently has begun evaluating WIA programs. Such a dramatic change in the system should await the results of these evaluations. The USDOL appropriations justification says it began the "first true net-impact study of WIA programs" it calls the "WIA Gold Standard Random Assignment Study" in fiscal year 2007. The WIA Gold Standard Study is being conducted over seven years. States and local workforce investment boards were selected competitively to participate in the study and are being provided incremental funding to participate in the study. The final installment of this incremental funding will not go out until fiscal year 2009. It appears results from this study will not be available until 2014 at the earliest. Only then might we know from this "gold standard study" about the ultimate effectiveness of WIA programs.

USDOL has not evaluated CAAs. Such a radical change to an untested concept should await conclusive evaluation results. USDOL's appropriations justification says it plans to "bring the expanded Individual Training Account Experiment to closure by publishing a report that determines the net-impacts of training on the original participant's (sic) employment, retention and earnings." This report could shed some light on the possible effectiveness of CAAs, but Individual Training Accounts are not identical and the experiment did not test the federal-state matching grant component of CAAs. In addition, USDOL also says it will evaluate "an enhanced training account" in its "gold standard study," but again it appears these results will not be available until 2014.

WIA programs have been doing well under the Government Performance and Results Act (GPRA) goals.

- The WIA Adult program has three goals measured by the entered employment rate, employment retention rate, and average earnings. For program years 2004 to 2006, the program met the



entered employment rate goal in two of the last three years; and it exceeded its employment retention rate and average earnings goals in all of the last three years.

- The WIA dislocated worker program has the same measures of its goals as the WIA Adult program. It met or exceeded its entered employment rate goal in two of the last three years. It met its employment retention goal in one of the last three years, but came within one and two percentage points the other years. And, it exceeded its average earnings goal in program year 2006, the first year the goal was in effect.
- The WIA youth program had a less clear picture because the Administration has been changing and revising performance measures. However, for program year 2006, youth programs met or exceeded two of its goals for which data are available (i.e., percent of participants entering employment or enrolling in post-secondary education, the military or advanced training/occupations skills training in the first quarter after exit and percent of participants who earn a diploma, GED, or certificate by the end of the third quarter after exit.)

Finally, it should be noted states depend on WIA infrastructure to provide services under the Local Veterans Employment Representative (LVER) and Disabled Veterans Outreach Program (DVOP) state grants. Budget cuts already enacted for fiscal year 2008 have reduced the WIA infrastructure support for these programs and further WIA cuts could lead even to office closings. Veterans programs are already strained to provide employment and training services to veterans returning from Iraq and Afghanistan. They can ill afford to contribute more of their scarce funds to keep offices open that have been funded substantially by WIA appropriations.

Mr. Chairman, in the face of a possible recession, lack of credible evaluations on WIA and CAAs, and good performance of the WIA programs under GPRA, there is little evidence to support cutting these programs. Please support these programs as the appropriations process proceeds.

If you or your staff have questions, please call Executive Director Rich Hobbie on 202.434.8022. Thank you for your consideration.

Sincerely,

Larry Temple
NASWA President and
Executive Director
Texas Workforce Commission



26 - NASWA LETTER
OPPOSITION TO WAGNER PEYSER FUNDING
ELIMINATION



444 N. Capitol Street NW, Suite 142, Washington, DC 20001
202-434-8020 fax 202-434-8033 www.WorkforceATM.org

February 29, 2008

The Honorable Tom Harkin
Committee on Appropriations
Subcommittee on Labor, Health and Human
Services, Education and Related Agencies
131 Dirksen Senate Office Building
Washington, D.C. 20510

Dear Chairman Harkin:

I am writing to support strongly appropriations for employment services under the Wagner-Peyser (WP) Act and to oppose the Administration's proposed elimination of this funding in its fiscal year 2009 budget.

Funding for WP Act employment services for fiscal year 2008 is about \$703 million. This year over 13 million American workers will receive employment services, which are paid for by about 7.6 million employers, many of whom also use state employment services. At an average cost of only \$55 per participant, employment services are highly cost-effective. The best evidence indicates this returns to society about \$2 for every \$1 invested in the form of higher earnings of participants, more taxes paid, and less income transfers to the unemployed.

A separate funding stream relies on the WIA and WP Act infrastructure to serve veterans through the Disabled Veterans' Outreach Program (DVOP) and the Local Veterans' Employment Representative (LVER) Program. About \$162 million was appropriated for these programs in fiscal year 2008. They serve nearly 850,000 veterans at a cost of about \$475 per veteran entering employment.

The Administration proposed eliminating funding for employment services under the WP Act because it concluded these services are duplicative of services provided under the Workforce Investment Act (WIA). Under WIA, the WP Act is supposed to provide employment services in career one-stop centers as a mandatory one-stop center partner. The Administration observed a majority of 35 states have integrated WP Act services into their one-stop career centers, but a minority of states are running separate and duplicative systems of employment services. Because of this duplication of services in a small minority of states, the Administration concluded all WP Act funds should be eliminated.



NASWA strongly disagrees with the Administration's reasoning. It makes little sense to eliminate funding for such a cost-effective program based on alleged duplication of services in a small minority of states. In a year when veterans are returning home seeking work and many Americans are losing their jobs, improving integration of WP Act core employment services into WIA one-stop career centers in a few states makes more sense. Even if there is such duplication, the Administration admits there is no duplication in the vast majority of states. If funding is eliminated in these states, they will have to reduce other services, such as intensive services and training that they have funded with WIA funds, to provide the core employment services with WIA funds. This will lead to substantial lost value to employers, workers, and our society.

Mr. Chairman, NASWA not only supports continued funding of WP Act services, but it supports increases. Why? It is because this spending is among the most cost-effective federal spending programs in the budget. Please support this funding. States, employers and workers will attest to its cost-effectiveness. This funding yields substantial benefits that will be lost under the Administration's proposal.

Sincerely,

Larry Temple
NASWA President and
Executive Director
Texas Workforce Commission



27 - NASWA LETTER
REQUEST OF SUPPLEMENTAL
APPROPRIATIONS UP TO \$110 MILLION



444 N. Capitol Street NW, Suite 142, Washington, DC 20001
202-434-8020 fax 202-434-8033 www.WorkforceATM.org

February 27, 2008

The Honorable Tom Harkin
Committee on Appropriations
Subcommittee on Labor, Health and Human
Services, Education and Related Agencies
131 Dirksen Senate Office Building
Washington, D.C. 20510

Dear Chairman Harkin:

I am writing to support strongly supplemental appropriations of up to \$110 million for grants to states for administration of state unemployment insurance programs in fiscal year 2008.

I have attached three charts showing a major problem Congress needs to address. These charts show states have not received enough appropriations in fiscal year 2008 to cope with rising unemployment. While Congress provided a trigger mechanism to release additional funds when claims rise above a certain level, that trigger, as calculated by the Congressional Budget Office, was set too high in relation to the funding that was appropriated, creating a potential funding gap this year.

- The first chart shows the fiscal year 2008 appropriation of \$2,454 million compared to \$2,564 million CBO projects will be required under its economic assumptions. The gap between these levels of \$110 million is an amount states likely will need if insured unemployment continues to increase this year.
- The second chart shows how much average weekly insured unemployment (AWIU) is funded by the fiscal year 2008 appropriation. States can administer about 2.4 million claims with the appropriation. Unfortunately, CBO projects 2,786,000 AWIU and additional appropriations are not activated until this level is reached. This leaves an unfunded gap of 386,000 AWIU for which states might not receive any administrative funding. As a result of this gap, states likely will reallocate resources toward paying claims and away from such integrity activities as checking for correct determinations of initial and continuing eligibility, ensuring accurate benefit payments, and conducting tax audits. This reallocation of resources away from integrity activities could lead to increased fraud, payments to ineligible claimants, overpayments, and under collection of unemployment taxes at a time of rising demand for benefits.



- The third chart graphically shows insured unemployment already has risen above 2,700,000 since the beginning of fiscal year 2008 last October.

Mr. Chairman, as you know from our past testimony on appropriations, states believe the grants to states for administration of unemployment insurance have been woefully underfunded for many years. The chronic underfunding continues, but this year it has been compounded by the budget cuts for fiscal year 2008 and the opening of this funding gap of \$110 million. Please work toward filling this funding gap for 2008 so the thousands of workers filing unemployment insurance across the nation will have their eligibility and benefit amounts determined correctly and their benefits paid on time.

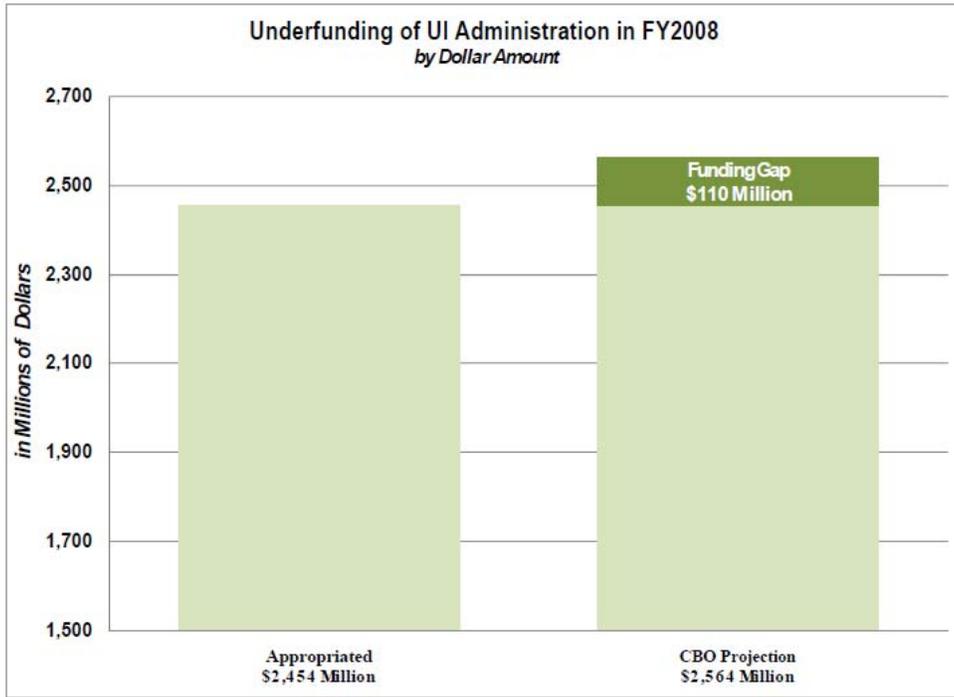
Thank you for consideration of this vital issue. If you or your staff have questions, please call Rich Hobbie, Executive Director, on 202.434.8022.

Sincerely,

Larry Temple
NASWA President and
Executive Director of the
Texas Workforce Commission

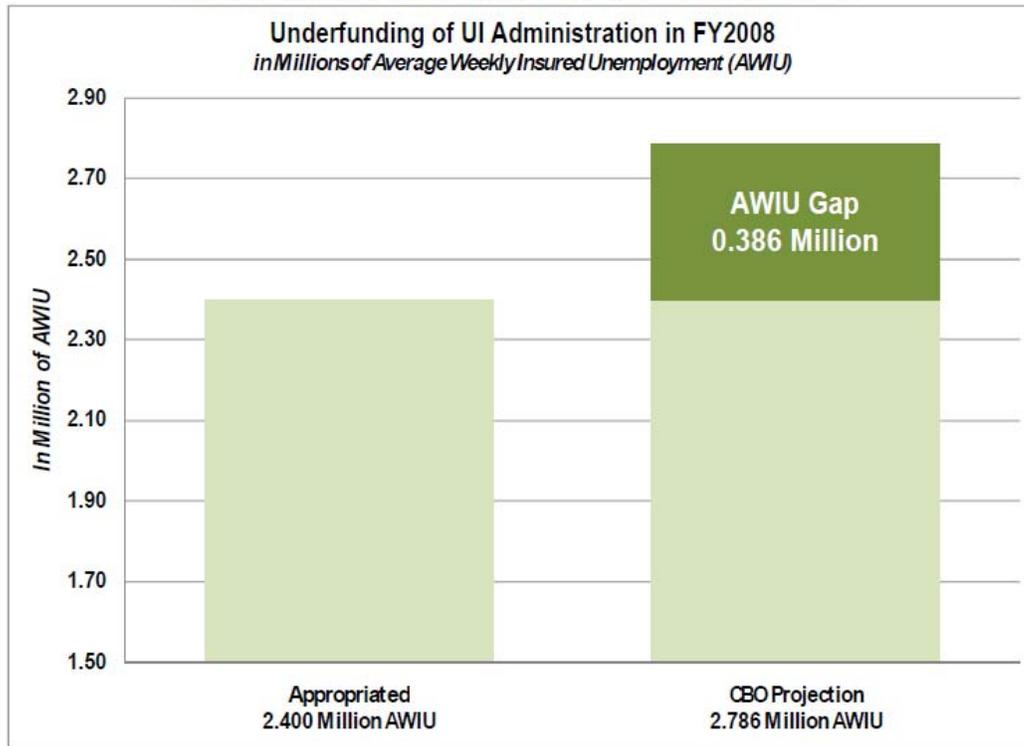


UNDERFUNDING OF UI ADMINISTRATION IN FY2008



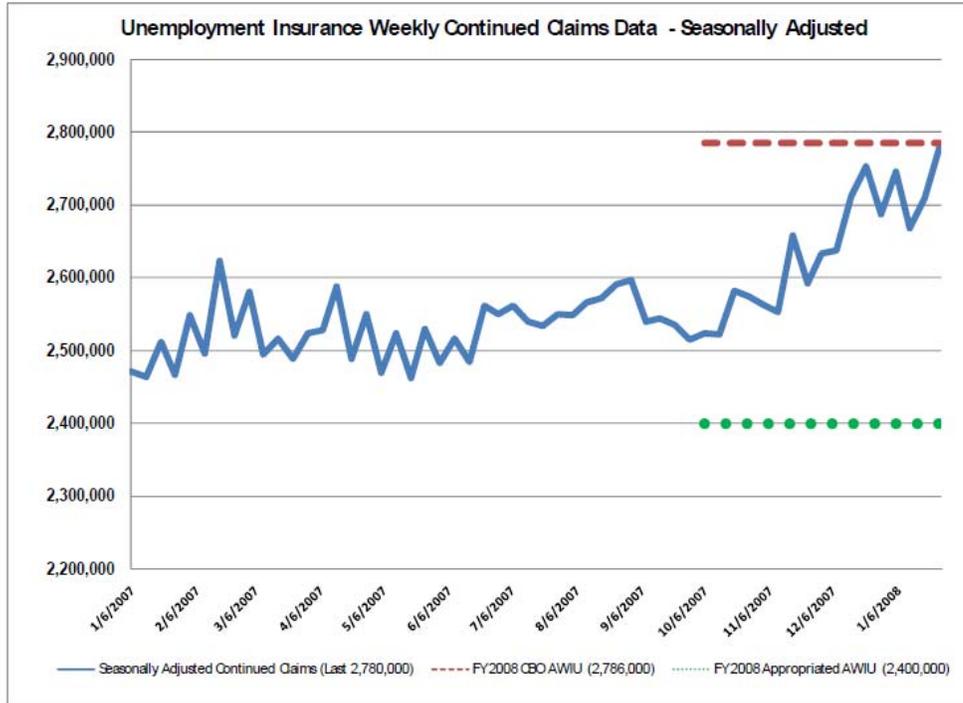


UNDERFUNDING OF UI ADMINISTRATION IN FY2008





UNDERFUNDING OF UI ADMINISTRATION IN FY2008





28 – NASWA TESTIMONY

PERFORMANCE OF EMPLOYMENT AND TRAINING FOR VETERANS



**NATIONAL ASSOCIATION OF STATE WORKFORCE AGENCIES (NASWA)
EXECUTIVE SUMMARY OF TESTIMONY
ON EMPLOYMENT AND TRAINING SERVICES FOR VETERANS**

**Submitted By
Larry Temple, President of NASWA
and
Executive Director,
Texas Workforce Commission**

October 25, 2007

NASWA welcomes the opportunity to submit testimony regarding performance of employment and training services for veterans. Our underlying goals for veterans' services at NASWA are to work to improve program performance by: building on our partnership with USDOL-VETS; improving the productivity of state's DVOP and LVER staff; promoting flexible service delivery options for states; and seeking appropriations needed to serve veterans from ongoing conflicts. We respectfully submit the following statement regarding services for this most deserving population.

Summary of NASWA Views

NASWA and USDOL-VETS Partnership

- NASWA and USDOL-VETS continue a strong partnership to improve service for veterans and most recently collaborated on an annual conference focused on service for veterans. NASWA and the National Governors' Association (NGA) are honored to serve as members of the Advisory Committee on Veterans Employment, Training, and Employer Outreach working with USDOL-VETS on improving services.

Performance in Serving Veterans

- Established performance standards for veterans' employment services have been met and continue to improve. NASWA supports highly productive DVOP and LVER staff and the training they receive at National Veterans Training Institute.

Part-Time DVOPs and LVERs Work for Veterans

- The ability to hire or assign part-time DVOPs (per P.L. 107-288) has greatly benefited veterans by allowing states to stretch their limited budgets to more offices, covering larger areas and ultimately serving more veterans. The authority to hire half-time DVOPs or LVERs is especially important in serving veterans in small population, large geographical states.

Appropriations for VETS' Programs Should Reflect Demand

- Congress should appropriate an additional amount for the DVOP and LVER programs proportionate to the increase in the number of veterans requiring service upon return from ongoing conflicts and to adjust for inflationary pressures.



**NATIONAL ASSOCIATION OF STATE WORKFORCE AGENCIES (NASWA)
STATEMENT BEFORE THE HOUSE COMMITTEE ON VETERANS' AFFAIRS
SUBCOMMITTEE ON ECONOMIC OPPORTUNITY
ON EMPLOYMENT AND TRAINING SERVICES FOR VETERANS**

**SUBMITTED BY LARRY TEMPLE, PRESIDENT OF THE NATIONAL
ASSOCIATION OF STATE WORKFORCE AGENCIES (NASWA)
AND
EXECUTIVE DIRECTOR,
TEXAS WORKFORCE COMMISSION**

October 25, 2007

Chairman Herseth Sandlin, Ranking Member Boozman, and Members of the Subcommittee, on behalf of the National Association of State Workforce Agencies (NASWA), I thank you for the opportunity to share states' perspectives on the value of employment and training services for our nation's veterans. Our foremost goal is to serve and help veterans. To achieve this, we continue to: build on our partnership with the U.S. Department of Labor (USDOL) Veterans' Employment and Training Service (VETS); improve the productivity of our Disabled Veterans' Outreach Program (DVOP) and the Local Veterans' Employment Representatives (LVER) staff; promote flexible service delivery options for states; and seek appropriations needed to serve veterans returning from ongoing conflicts.

The members of our Association constitute the state leaders of the publicly-funded workforce investment system vital to meeting the employment needs of veterans through the DVOP and LVER programs. The mission of NASWA is to serve as an advocate for state workforce programs and policies, a liaison to federal workforce system partners, and a forum for the exchange of information and practices. Since 1973, NASWA has been a private, non-profit corporation, financed by annual dues from member state agencies.

Our members are committed to providing the highest quality of service to our nation's veterans, National Guard members and Reservists. We are focused on our highest priority, serving recently separated veterans and disabled veterans. With the ongoing war efforts in Iraq and Afghanistan, this is a critical time to ensure high quality workforce services are available for those who served our country in time of war.

NASWA and USDOL-VETS Partnership

NASWA and the U.S. Department of Labor (USDOL) Veterans' Employment and Training Service (VETS) have built a strong partnership founded on the common goal of improving services for veterans. Most recently, NASWA worked with USDOL-VETS to focus its annual conference on service to veterans including workshops on priority of service for veterans, assisting veterans' transition to civilian employment and partnering with veterans service organizations. NASWA is looking forward to working with USDOL-VETS in the development of regulations to clarify implementation of veterans' priority of service in the workforce system. NASWA and the National Governors' Association (NGA) are honored to serve as members of



the Advisory Committee on Veterans Employment, Training, and Employer Outreach working with USDOL-VETS on improving services.

Performance

For the latest available data on performance covering Program Year 2005 (July 1, 2005-June 30, 2006), each target was reached and in most cases exceeded. The percent of veteran job seekers employed in the first or second quarter following registration increased by two percentage points to 62 percent in program year 2005, exceeding the target by three percentage points. The percent of veteran job seekers still employed two quarters after initial entry into employment with a new employer remained steady at 81 percent, matching the established target. The percent of disabled veteran job seekers employed in the first or second quarter following registration increased by one percentage point to 57 percent, two percentage points above the target. The percent of disabled veteran job seekers still employed two quarters after initial entry into employment with a new employer increased to 80 percent, up one percentage point from program year 2004 and the program year 2005 target.

NASWA is committed to improving service for veterans by strengthening the productivity of DVOP and LVER staff. The Veterans Benefits, Health Care, and Information Technology Act of 2006 (P.L. 109-461) directs the Secretary of Labor to establish and maintain guidelines for use by states in establishing the professional qualifications for the DVOP and LVER positions. NASWA supports this approach to give states the latitude under guidelines to establish their own qualifications and hiring standards. The establishment of guidelines would ensure states' DVOP and LVER representatives are properly skilled while enabling them to function within each state's structure.

NASWA supports the recently approved requirement that all DVOPs and LVERs attend training at the National Veterans Training Institute (NVTI) within three years of being designated as a DVOP or LVER. NVTI is an invaluable resource to provide such professional development for DVOPs and LVERs. NVTI estimates an additional \$1 million per year is required to fulfill the requirement to train all DVOPs and LVERs in the core courses as required. NASWA supports additional appropriation at a level sufficient for NVTI training to meet the requirements to provide training for all DVOPs and LVERs as soon as possible after their hire date.

Part-Time DVOPs and LVERs Work for Veterans

The Jobs for Veterans Act (P.L. 107-288) provides greater flexibility for the VETS, states, and the DVOP and LVER staff in serving veterans. The ability to hire or assign part-time DVOPs has greatly benefited states by allowing them to stretch their limited resources to more offices, covering larger areas and ultimately serving more veterans. The clarification of the definition of part-time DVOPs and LVERs with enactment of the Veterans Benefits, Health Care, and Information Technology Act of 2006 to ensure they serve veterans no less than half-time is beneficial in ensuring veterans are the top priority.

Flexibility in assigning DVOP and LVER staff allows states to tailor programs to meet the unique needs in each state and local area, while instituting standards to ensure consistently high quality programs are available to veterans across the nation. The ability to hire or assign DVOP or LVER staff for half-time positions is especially valuable in small population, large geographic states. This allows veteran specialists to be assigned to more offices and reduces the amount of time required for travel in covering a large geographic area.



NASWA recommends that any future legislation preserve the states' flexibility, as provided under JVA, to determine how best to integrate LVER and DVOP programs into state employment service delivery systems.

VETS' Program Appropriations

States believe a reduction to the annual grant for any reason will impact the level of quality service for veterans negatively. Annual appropriation levels for the DVOP and LVER programs are inadequate. The DVOP and LVER programs should be authorized to spend annual grants for multiple years rather than a single year to allow long-term planning for managing and staffing the programs. The funding cycle should be changed to a program year to enable continuity in planning services for veterans and to be consistent with other workforce development programs, including the Workforce Investment Act (WIA).

Maintaining high levels of performance in serving our veterans is a shared function of states and USDOL-VETS. States and USDOL-VETS negotiate performance standards and work together to meet them. A judgment made to reduce funding as a result of performance would make the states' goal of improving performance more challenging and penalize the veteran population. Should a state be in danger of not meeting performance measures, technical assistance should be provided by VETS to assist in correcting any deficiencies. Maintaining high levels of performance is the top priority of every state.

State allocations under the DVOP and LVER programs have increased by approximately \$3.9 million in eight years. This amount represents on average only about a one year's increase due to inflation. Congress should appropriate an additional amount for the DVOP and LVER programs proportionate to the increase in the number of veterans requiring service upon return from ongoing conflicts and to inflation every year. Further, the veteran's workforce investment program (VWIP), the program dedicated to training for veterans, has been flat-funded for over 5 years. Last year's VWIP appropriation of only \$7.5 million serves limited areas in only 12 states.

State allocations are based on the state's population of veterans seeking employment in the state. Though small state veterans' populations may not be as large as large population states, small states must make the same accommodations to serve veterans throughout a large and diverse area. Inevitably small population states require additional funds throughout the year to maintain the service levels established in their annual plans. NASWA appreciates the availability of contingency funding, including exigency and 5th quarter funding, but believe veterans would be better served if adequate allocations are provided at the beginning of a funding cycle. NASWA recognizes the large number of veterans in heavily populated states requires a commensurate number of workforce system staff to provide high quality services. NASWA supports minimum funding levels adequate for small states to ensure they can maintain high quality services too. Ultimately, an increase in Congressional appropriation for the DVOP and LVER programs would help to alleviate this issue.

The Jobs for Veterans Act (JVA) requires states to submit to the Secretary of Labor, "a plan that describes the manner in which states shall furnish employment, training, and placement services required under this chapter for the program year." NASWA members believe the annual plan required by the Jobs for Veterans Act will be greatly improved by moving the funding for these programs from a fiscal year to a program year funding cycle.

By transitioning funding to a program year (July 1 to June 30) and aligning it with most other employment and training programs, the plans state workforce agencies submit to USDOL Veterans Employment and Training Service (VETS) will reflect future program year services



based on actual outlays. Funding on a program year supports integrating VETS-funded programs into WIA one-stop career center systems and planning and performing on the same cycle as other one-stop partners.

Thank you for the opportunity to address these important issues.



29 - JOINT STATEMENT

NGA/NASWA VIA COMMON MEASURE PROPOSAL



Common Measure Proposal Reauthorization of the Workforce Investment Act

A critical element of the Workforce Investment Act (WIA) reauthorization is the development and use of common measures to increase system-wide accountability, while significantly decreasing administrative costs and inefficiencies. The *NGA-NASWA WIA Common Measure Proposal* streamlines the complex system of nearly 100 varying and incomparable performance measures into four critical measures focused on customer outcomes, including short-term and long-term employment rates, earnings, and credential completion.

The intent of the NGA-NASWA proposed legislative language is to replace all performance measures and additional indicators across all programs directly or indirectly authorized under WIA, including WIA Dislocated Worker, Wagner-Peyser, WIA Adult, WIA Youth, Job Corp, Veterans' programs, and related programs authorized at the U.S. Department of Education, including Adult Education and Rehabilitative Services.

PROPOSED LANGUAGE:

b) STATE PERFORMANCE MEASURES. —

(1) IN GENERAL. — For each State, the State performance measures shall consist of (A)(i) the core indicators of performance described in paragraph (2)(A); and (ii) additional measures of performance (if any) identified by the State under paragraph (2)(B); and

(B) a State adjusted level of performance for each measure described in subparagraph (A).

(2) INDICATORS OF PERFORMANCE

(A) CORE INDICATORS OF PERFORMANCE. —

(i) IN GENERAL. — The core indicators of performance for employment and training activities authorized under the Workforce Investment Act *[insert section references, as applicable]* (except for informational activities) shall consist of —

(I) the percentage of program participants who are employed during the second quarter after exit;

(II) the percentage of program participants who are employed during the fourth quarter after exit;

(III) the median earnings of program participants during the second quarter after exit;

(IV) the percentage of program participants who obtain an education or training credential during participation or within one year of exit;

(ii) CORE INDICATORS FOR ELIGIBLE YOUTH.— The core indicators of performance (for participants who are eligible youth age 14 through 18) for youth activities authorized under WIA Youth *[insert section reference, as applicable]*, shall include —

(I) the percentage of program participants who are in education or training, or employed during the second quarter after exit;

(II) the percentage of program participants who are in education or training, or employed during the fourth quarter after exit;

(III) the median earnings of program participants during the second quarter after exit among participants not enrolled in education or training;

(IV) the percentage of program participants who obtain an education or training credential during participation or within one year of exit;

(B) ADDITIONAL INDICATORS. — Additional indicators of performance shall consist of

(I) A State may identify in the State plan additional performance measures for workforce investment activities authorized under this subtitle.

For more information, please contact Joan Wodiska with the National Governors Association (NGA) at jwodiska@nga.org or 624-5361 or Curt Harris with the National Association of State Workforce Agencies (NASWA) at charris@naswa.org or 434-8023. Last updated: May 2, 2007



30 – JOINT LETTER

NGA/NASWA POLICIES ON WIA REAUTHORIZATION



July 17, 2007

The Honorable Edward "Ted" M. Kennedy
Chairman, Committee on Health, Education, Labor,
and Pensions
United States Senate
Washington, DC 20510

The Honorable Michael B. Enzi
Ranking Member, Committee on Health,
Education, Labor, and Pensions
United States Senate
Washington, DC 20510

The Honorable George Miller
Chairman, Committee on Education and Labor
United States House of Representatives
Washington, DC 20515

The Honorable Howard P. "Buck" McKeon
Ranking Member, Committee on Education and
Labor
United States House of Representatives
Washington, DC 20515

Dear Chairman Kennedy, Senator Enzi, Chairman Miller, and Representative McKeon:

As you develop legislation to reauthorize the Workforce Investment Act (WIA), we urge you to incorporate the attached joint NGA-NASWA-State Workforce Board Chairs recommendations to continue developing WIA into the world-class federal-state-local workforce system vital to our nation's workers and businesses.

It has been almost a decade since Congress overhauled the workforce system to become a "one-stop" system. Today, new challenges confront our nation and challenge our economic position in the world. Much is at stake in this reauthorization. Without bold reforms to WIA, our workforce system will struggle to equip American workers with the skills necessary to remain competitive in the global economy.

Governors, state workforce administrators, and other state leaders developed joint WIA recommendations to help states and local communities create efficient, nimble, and coordinated workforce systems. The recommendations would significantly enhance program coordination and flexibility; align workforce, education, and economic development needs and strengths; enhance training services to workers; and reduce administrative costs. These four core principles should be central to WIA reauthorization.

The strength of America is our innovation, creativity, and hard work. We look forward to partnering with you to build a modern workforce system that can prepare our nation and workers to compete in the global economy.



Sincerely,

Governor Christine O. Gregoire
Chair, Education, Early Childhood and Workforce
Committee
National Governors Association

Governor M. Jodi Rell
Vice Chair, Education, Early Childhood and
Workforce Committee
National Governors Association

Roosevelt "Ted" Halley, President
National Association of State Workforce Agencies
Executive Director, South Carolina Employment
Security Commission

Charles Ware, Chair
National Association of State Workforce Board
Chairs
Chair, Wyoming Workforce Development Council

Attachment

cc: U.S. Secretary of Labor Elaine L. Chao
U.S. Senate Health, Education, Labor, and Pensions Committee
U.S. House Education and Labor Committee



31 – TESTIMONY

THE UNEMPLOYMENT INSURANCE MODERNIZATION ACT AND THE WORKER EMPOWERMENT ACT



**NATIONAL ASSOCIATION OF STATE WORKFORCE AGENCIES (NASWA)
STATEMENT ON THE UNEMPLOYMENT INSURANCE MODERNIZATION
ACT AND THE WORKER EMPOWERMENT ACT**

**SUBMITTED BY ROOSEVELT (TED) HALLEY
NASWA PRESIDENT AND EXECUTIVE DIRECTOR OF THE SOUTH
CAROLINA EMPLOYMENT SECURITY COMMISSION**

ON MARCH 29, 2007,

**TO THE HOUSE COMMITTEE ON WAYS AND MEANS
SUBCOMMITTEE ON INCOME SECURITY AND FAMILY SUPPORT**

Mr. Chairman and Members of the Subcommittee, thank you for the opportunity to comment on the Unemployment Insurance Modernization Act (UIMA) and the Worker Empowerment Act (WEA). The National Association of State Workforce Agencies (NASWA) respectfully submits this testimony for the record.

The mission of NASWA is to serve as an advocate for state workforce programs and policies, a liaison to federal workforce system partners, and a forum for the exchange of information and practices. Our organization was founded in 1937. Since 1973, it has been a private, non-profit corporation financed by annual dues from member state agencies. NASWA members are the administrators of the Unemployment Insurance (UI) and Employment Service (ES) programs, labor market information, and other workforce investment programs.

**SUMMARY OF THE UNEMPLOYMENT INSURANCE MODERNIZATION ACT
(UIMA) AND WORKER EMPOWERMENT ACT (WEA)**

To facilitate our comments on the Unemployment Insurance Modernization Act (UIMA) and Worker Empowerment Act (WEA), we summarize their key provisions below:

Unemployment Insurance Modernization Act

The Unemployment Insurance Modernization Act (UIMA) would:

- Extend the 0.2 percentage point FUTA surtax for five years through 2012.
- Provide up to \$7 billion in special Reed Act distributions from the Federal Unemployment Account for UI Modernization Incentives to be distributed between 2008 and 2012 to states meeting specific criteria related to their UI programs and proportionate to FUTA taxes paid in each state.
- One-third of the \$7 billion or about \$2.33 billion would be available for distribution to states that include wages in the last completed calendar quarter when determining eligibility or after an initial determination of ineligibility.



- Two-thirds of the \$7 billion or \$4.67 billion would be available for distribution to states that include wages in the last completed calendar quarter when determining eligibility or after an initial determination of ineligibility and state law meets at least two of the following three conditions:
 - The state does not deny UI eligibility because the claimant is seeking part-time work (State law may limit the application of this provision to former part-time workers.).
 - The state includes in the definition of good cause for voluntary leaving employment for compelling family reasons to include at least: (1) avoiding domestic violence; (2) caring for a sick disabled family member and (3) following a spouse whose employment was relocated to a different locality.
 - The state provides training assistance to claimants' at the regular weekly benefit amounts for at least 26 weeks who: (1) have been dislocated from a declining occupation; (2) have exhausted regular UI benefits; (3) are in a state-approved training program related to a high-demand occupation; and (4) are making satisfactory progress in such program.
- Provide \$100 billion per year in special Reed Act distributions to states for 2008 through 2012 for covering the additional administrative costs of UI modernization and other improvements in administration of UI and employment services.

Worker Empowerment Act (WEA)

The Worker Empowerment Act (WEA) would establish a national wage insurance program to supplement the earnings of dislocated workers who become reemployed in lower-paying jobs. It has the following features:

- Workers would be eligible for wage insurance if they worked for at least two years in their previous job and lost employment through no fault of their own.
- Workers may not go to work with their former employers, must work a similar number of hours to that in their previous jobs, and must not earn more than \$100,000.
- Replace half of a worker's lost wages compared to prior employment for two years up to a total of \$10,000 per year.
- The program would be financed by a 0.1 percent tax on each employee's wages up to the taxable wage base in the Social Security program, which is currently just over \$94,000.

CURRENT NASWA POLICY

Before commenting on the bills Chairman McDermott has drafted, we would like to set the stage by summarizing relevant current NASWA policy. These policies were developed before Chairman McDermott drafted his bills, but they have bearing on our comments. The following policies influence NASWA's reaction to these draft bills.

- Consistent with the National Governors Association (NGA) policy, NASWA opposes the extension of the Federal Unemployment Tax Act 0.2 percentage point surtax beyond



- Consistent with NGA policy, NASWA supports reducing the ceiling on the Federal Unemployment Account (FUA) to 0.125 percent of covered wages paid in the last year, the ceiling that existed before 1988. This would fund fully the Extended Unemployment Compensation Account (EUCA) and cause an estimated \$8 billion Reed Act distribution to the States if effective on October 1, 2007.
- NASWA supports current Reed Act provisions, which allow states to spend Reed Act funds on UI benefits, UI administration, employment services, and labor market information.
- NASWA supports Reed Act distributions of \$800 million in each of the next two fiscal years to fund the proper and efficient administration and services of the “employment security system.”
- NASWA supports a strong linkage between the unemployment insurance program and the Employment Service, both of which are funded by employer-paid FUTA taxes. These resources must continue to be made available to ensure UI claimants are provided with essential reemployment services and to provide for basic labor exchange activities within the states' workforce development systems. Further, the manner and extent to which these resources are integrated within a state's workforce development system and one-stop structure should be decided at the state level to ensure that they are effectively used in addressing the UI and employment service program needs on a statewide basis.
- NASWA supports appropriation of sufficient funds from the federal unemployment tax revenue to ensure every state will receive a minimum of 50 percent of the Federal Unemployment taxes paid each year by its employers. States currently granted more than 50 percent of federal unemployment taxes paid annually by their employers under current federal grant allocation methods should be held harmless.

COMMENTS ON THE UNEMPLOYMENT INSURANCE MODERNIZATION ACT (UIMA)

NASWA has long opposed another extension of the FUTA 0.2 percentage point surtax. This additional revenue is not needed to fund the “employment security system” fully. We understand the Administration and many Members of Congress propose to extend this tax to help make the federal budget deficit appear smaller and/or to meet pay-as-you-go requirements for funding new spending. Because it is one of the “easy” tax extenders Congress can pass, Congress often has included it in deficit reduction packages or in packages to finance new spending. NASWA believes other taxes should be used for these purposes.

Some have suggested Congress will pass the extension of the 0.2 percentage point FUTA surtax regardless of whether Congress also passes Reed Act distributions for state programs. This has



happened in the past and could happen again this year. Recognizing this might even be probable, NASWA must consider the other provisions of the bill that could benefit and cost some workers, employers, states and society.

Without conducting a survey of the states, NASWA has no information on how states might react to the proposed modernization incentives. Such reactions might break down by whether a state has some or all of the provisions that would qualify for incentives. The following is a list of this breakdown:

First, only five states (HI, MA, NJ, NY, and NC) have state UI laws that meet the alternative base period and two of the three non-monetary eligibility provisions.

Second, seven states (AK, AR, CA, IA, KS, MI, and PA) have two of the three non-monetary eligibility provisions, but no alternative base period provision.

Third, fourteen state programs (CT, DC, GA, ME, MI, NH, NM, OH, OK, RI, VT, VA, WA, and WI) have state UI laws that meet the alternative base period provision, but do not have two of the three non-monetary qualification provisions dealing with part-time work, family reasons for leaving employment, and worker dislocation and training.

Fourth, twenty-seven state programs (AL, AZ, CO, DE, FL, ID, IL, IN, KY, LA, MD, MS, MO, MT, NE, NV, ND, OR, PR, SC, SD, TN, TX, UT, VI, WV, and WY) do not have an alternative base period, nor do they have two of the three non-monetary eligibility provisions dealing with part-time work, family reasons for leaving employment, or worker dislocation and training.

NASWA supports special Reed Act distributions for administration of the “employment security system.” The bill’s \$100 million per year for five years totaling \$500 million is well short of the NASWA proposal of \$800 million over each of the next two years for \$1.6 billion. NASWA believes states need these larger sums soon to modernize and improve out-dated administrative systems and to upgrade labor exchange services for UI claimants.

Finally, members of NASWA are frustrated and disappointed that the Federal government is collecting far more than it needs to fund the “employment security system” and returns a very low percentage of annual FUTA taxes to many states. In a given year, some states don’t even receive one-third of what employers in their states are estimated to pay in FUTA taxes. This makes it very hard for states to administer their state UI programs in a proper and efficient manner as required by the Social Security Act and it erodes support from employers who pay excessive taxes in return for severely constrained services. As a result of this frustration, NASWA passed a resolution last year, which we mentioned earlier as part of current NASWA policy:

- NASWA supports appropriation of sufficient funds from the federal unemployment tax revenue to ensure every state will receive a minimum of 50 percent of the Federal Unemployment taxes paid each year by its employers. States currently granted more than 50 percent of federal unemployment taxes paid annually by their employers under current federal grant allocation methods should be held harmless.

COMMENTS ON THE WORKER EMPOWERMENT ACT

The stated goal of WEA is to “help respond to growing wage volatility and diminishing job security in the American workforce.” NASWA members wonder if the evidence on wage subsidies supports the WEA program achieving this goal. Other approaches that have been



effective in pilot demonstrations are assisting and providing incentives for workers to go back to work sooner, and providing training for workers who have enough years of work remaining to reap enough benefits to justify the costs.

Economists argue uniform payroll taxes, such as the 0.1 percent of the social security taxable wage base, are borne by workers even if paid by employers. Economic theory suggests the uniform payroll tax would be shifted to workers in the form of possibly less employment and lower wages. Lesser effects on employment and wages in the labor market might occur if the program were financed from federal general revenues instead. Of course, we recognize other programs, such as social security and medicare, are financed by uniform payroll taxes on the assumption the benefits outweigh the costs.

Based on limited evidence, it is not clear this type of wage subsidy induces workers to go back to work sooner than they would or that they would sustain employment longer than without the wage subsidy. A more cost-effective approach to achieve this end might be reemployment bonuses or reemployment services. States could provide such bonuses or services if more funds were appropriated from FUTA revenue for employment services to UI claimants.

Investments in training also might yield more net benefit than this type of wage subsidy. Investments in human capital in general, and in particular education and training for young persons and young workers, can yield substantial net benefit and stimulate economic and employment growth.

To control costs of such a program, a longer work history could be required for eligibility. However, the UI system currently does not retain wages back more than two years, so some provision for acquiring the data beyond two years would be needed.

The cap on earnings at \$100,000 seems to create a “notch effect” in which a worker earning \$100,000 gets the full wage subsidy, but a worker earning more than \$100,000 loses the entire wage subsidy. Consequently, some attention to creating a phase-out range for the subsidy is needed.

The WEA program could carry a significantly greater administrative burden than UI because the maximum duration of claimants on the regular UI program is a half year compared to as much as two years on wage insurance. Paying wage subsidies for two years is four times longer than for only about a half year. During this two year period the WEA program might have to recalculate the wage subsidy many times as workers change jobs and as their wages change. This could cost states significantly more to administer depending on the ultimate size of the program.

Mr. Chairman, thank you for the opportunity to testify. NASWA greatly appreciates your interest in improving the UI system and empowering workers. Although this testimony has brought to bear current NASWA policy, basic facts, and some speculation on these draft bills, it does not provide specific answers to how individual states or groups of states would react to their provisions. For this, one needs the reaction of specific states at a minimum. NASWA stands ready to assist you in this process as you refine these draft bills and prepare them for introduction.



SECTION III

NATIONAL GOVERNORS ASSOCIATION POLICY



**32 -- GOVERNORS' PRINCIPLES TO ENSURE
WORKFORCE EXCELLENCE (EFFECTIVE
WINTER MEETING 2007-WINTER MEETING 2009)**



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03/05/2007

ECW-01. Governors' Principles to Ensure Workforce Excellence

1.1 Preamble

In the 21st century, the economic strength of the United States will depend on the ability of each state to compete successfully in the global economy. Today's jobs require workers to have more advanced training and higher levels of education. In order to compete most effectively, state economic development strategies must build a skilled workforce through lifelong learning and worker training.

Governors recognize that a strong workforce development system must encompass education, human service, and economic development programs and ensure the attention and investment of all levels of government and the private sector. In this era of global competitiveness, an effective workforce development system should address the needs of all workers, regardless of the worker's skill level. Through a comprehensive, integrated, and flexible workforce system, the nation will be equipped to quickly respond to the changing needs of its workers and businesses to compete successfully in the global economy.

The Workforce Investment Act (WIA) authorized Governors to initiate broad structural reforms in their workforce development systems. With this authority, the nation's Governors have made significant progress in restructuring their workforce development systems and strengthening partnerships among federal, state, and local governments and the private sector. These reforms are producing highly skilled workforces that strengthen businesses and the economy. Yet experiences from states reveal that many challenges remain, such as providing a comprehensive, seamless system of education and training and employment services for workers; meeting reporting requirements; coping with resource constraints; and fully engaging the business community as partners. To address those challenges, Governors support additional efforts to strengthen the system and provide the following core principles and



recommendations to guide actions by the Administration and Congress.

1.2 Principles for Workforce Excellence

The Governors recommend the following principles to help ensure workforce excellence.

1.2.1 A Comprehensive, Flexible, State-Based Workforce System. The workforce system should be a comprehensive and flexible state-based system that is centered on the needs of local regions and communities and accountable for results. The workforce system should be readily understood, accessible, and responsive to local and regional workers, job seekers, students, and businesses. These customers should receive information about the full array of services available from public and private sources and should be able to easily enter and reenter the system at any point and access services as needed, not in a prescribed sequence. Governors should have the flexibility to build on the current strengths in the system, including the authority to design and re-designate the local workforce areas without federal interference.

1.2.2 Lifelong Learning Opportunities. Job training and education programs should be available to the entire workforce and the business community as part of a continuum of lifelong learning. Current and future workers should have the opportunity to equip and reequip themselves for productive work through training, education, and professional development. Education and workforce partners should pursue new educational methodologies such as modularization of curriculum, portable credentials for students and workers, e-learning, and other distance learning opportunities. In addition, student financial aid guidelines should be revised to better serve working adults. Due to the vital role that job training and education programs play during an individual's lifetime, it is critical that federal education and workforce programs be aligned to function most effectively to support the lifelong learning opportunities for individuals in state-determined high demand occupations.

1.2.3 Education and Career Linkages for Students. In a knowledge- and skill-based economy, education is increasingly linked to economic success, with postsecondary education and training often leading to higher earnings and employment stability. WIA should reinforce with students the importance of acquiring basic skills, such as reading or math, that lead to a high school degree or equivalent, thus ensuring students have the necessary foundation of skills and knowledge to enter any career and to support continued lifelong learning. For these reasons, the workforce development system should effectively support career exploration opportunities and should link education and work through work-based learning, internships, career guidance, youth apprenticeship, and other options that enable students to obtain the academic, occupational, and work-readiness skills needed for employment. Businesses, unions, schools, colleges and universities, community-based organizations, teachers, students, and all levels of government must share the responsibility to ensure that alignment of these programs produces economic success for



students.

1.2.4 Barriers to Innovation. Governors continue to develop innovative workforce systems that respond to customer needs, reduce fragmentation, promote accountability, deliver services efficiently, and engage the business community. To ensure a higher quality federal-state workforce system for America's workers, Congress should remove barriers to innovation including, but not limited to, overly burdensome reporting requirements, inconsistent terms and definitions, and limitations to transfer funds.

1.2.5 Governors' Leadership in Workforce Programs Innovation. WIA reauthorization should recognize the important partnerships among federal, state, public, and private workforce programs and Governors' authority to develop an innovative workforce development system. Congress should encourage the U.S. Department of Labor (DOL) to coordinate with the Governor when working with a state's business community.

1.2.6 Integral Role of the Private Sector. Workforce development has two major groups of customers—workers (both current and future) and businesses. Although WIA made strides in recognizing the needs of businesses, work remains to ensure that businesses are fully engaged in the law. Federal policy should not undermine the vast investment that private sector businesses have made to train workers. Also, federal initiatives should be designed to support state-based programs, particularly state efforts to build partnerships with business. Federal WIA policy should support strong public/private partnerships and provide Governors the authority to build these partnerships to ensure an adequate supply of high-growth industries and occupations. Federal efforts should be designed to support state-based programs, including state efforts to partner with businesses.

1.2.7 Efficient Assistance for Business Firms and Dislocated Workers. Federal dislocated worker initiatives and funding should be responsive and flexible to address the impact of economic changes on workers in states across the nation. In addition, workers and businesses negatively affected by federal policy decisions should receive adjustment assistance in a timely and efficient manner. Federal assistance should be provided through state-based networks and initiatives, and final authority to implement the provision of assistance should be determined by the Governor.

1.3 Recommendations for Strengthening the Workforce Development System

The nation's Governors strongly support the following recommendations to strengthen the workforce development system.

1.3.1 Funding. Governors support an increase in the federal investment in WIA programs to support lifelong learning and economic development. WIA funding helps support critical workforce services to ensure that America's workers will



remain competitive in the 21st century global economy. To adequately respond to the global economy, WIA funding should be flexible and responsive to worker shortages, high demand occupations as determined by each state, major shifts in the national economy, and state economic development goals.

1.3.2 Flexibility to Coordinate or Transfer Funds. Congress should provide Governors with the option to coordinate WIA funding to meet the unique needs of their states and should include a hold harmless provision to ensure that the federal investment in workforce and related programs is not diminished. At their discretion, Governors should be given the option to pool WIA, higher education, Temporary Assistance for Needy Families (TANF), and other sources of federal training money at the state level to respond to the needs of workers and businesses.

1.3.3 Performance Measures. Governors urge the development of a new streamlined—yet strong—performance measurement based on state and local input. The framework should include a core set of measures that are meaningful across workforce development programs. These measures should readily illustrate the value the workforce development system adds to meeting economic development goals. Governors should be closely consulted if any federal measures are adopted. Performance measures should be flexible and easy to collect to allow the evaluation of short-term results on and long-term efforts by workers and businesses. The current multiplicity of measures and data collection impedes service delivery in states. Congress and DOL should also support the voluntarily development of state integrated performance measures and information systems that include common definitions and measures.

1.3.4 Reporting Requirements. The current workforce system is fragmented and consists of inconsistent terms and definitions, as well as overly burdensome reporting requirements. This system impedes efficient service delivery in states and localities; deters participation of eligible job training providers, including educational institutions such as community colleges and apprenticeship programs; and discourages partnerships within one-stop centers. Governors urge Congress to streamline and improve federal reporting requirements. Until federal law is revised to provide such flexibility, Governors expect DOL to approve appropriate waivers of federal regulations to reduce the financial burden of unnecessary paperwork and remove barriers to innovation.

1.3.5 Regulations. Governors urge DOL to develop regulations in close consultation with states. Moreover, DOL should only develop regulations when the law is unclear and needs clarification, and these regulations must be consistent with the intent of Congress.

1.3.6 Federal Partner Programs. Partnerships within one-stop centers have been difficult to foster given the myriad of agencies, organizations, financing, and responsibilities involved in delivering the array of services in one location. Governors recommend that the federal partner agencies develop a joint initiative to align federal regulations to consistently encourage support for and



participation in one-stop centers. Alignment efforts should encompass WIA, higher education, TANF, vocational rehabilitation, vocational and technical education, trade adjustment, veterans' employment, and other distinct programs. In particular, Governors support efforts to coordinate WIA and TANF systems to help welfare recipients and other low-income workers better access education and training.

The initiative should address common management and performance information, including cost sharing, resource allocation, and joint case management, as well as the sharing, processing, and providing of services to participants. Flexibility to establish cross-system measures could support consistent information systems across state and federal workforce programs.

1.3.7 Greater Access to WIA Training. Training is important in providing a continuum of skill development, ranging from initial preparation to ongoing career advancement. A basic tenet of WIA is to facilitate an efficient transition for qualified individuals through core, intensive, and training services. Governors recommend that DOL work with states to issue clarifying guidance to ensure that enrollment in training is not blocked or delayed by a rigid application of WIA eligibility criteria for intensive services and training, particularly when a one-stop partner has already properly determined the need for training.

1.3.8 Readjustment and Training for Dislocated Workers. Under current law, to be eligible for job training services, dislocated workers must first participate in the required sequence of services. Governors recommend that states and localities be given flexibility to apply eligibility criteria to permit rapid passage through the initial services when there is a ready presumption that other work is not available. To ensure training opportunities for unemployed workers, participation in WIA intensive and training services should be allowed to satisfy unemployment insurance work search requirements. Additionally, Governors recommend that the wage-replacement performance standard be eliminated because it inadvertently discourages enrollment of high-wage workers when replacement jobs are not available at similar pay levels.

1.3.9 Flexibility for Youth Programs. Under current law, local WIA program administrators are required to contract-out training and development services for youth, regardless of a lack of qualified service providers. At the same time, Governors may grant waivers to local boards allowing them to consolidate service delivery for adults and dislocated workers in rural areas. Similar rules should apply to the WIA youth funding stream so that local boards may streamline program services in areas with insufficient numbers of qualified service providers.

WIA should not mandate the amount of youth funding that must be spent on out-of-school or in-school youth. Governors should have the discretion to direct youth funds according to the needs of each state.



1.3.10 Incentives for Comprehensive System Building. Incentives, including access to waiver authority and additional federal funds, should be provided to all states to establish comprehensive workforce development systems in partnership with local governments and private sector leaders.

1.3.11 Section 191. Section 191(A) has led to problems within some states by requiring that all WIA funds are subject to appropriation by the state legislature. This unnecessary provision should be eliminated to ensure that Governors refrain unfettered authority to allocate federal funds.

Related Policies:

ECW-11, Employment Security System Policy
ECW-15, Principles of Federal Preschool-College (P-16) Alignment
HHS-21, Welfare Reform

*Time limited (effective Winter Meeting 2007–Winter Meeting 2009).
Adopted Winter Meeting 1993; reaffirmed Winter Meeting 1995; revised and
reaffirmed Winter Meeting 1997; revised Winter Meeting 1998, Winter Meeting
2000, Winter Meeting 2002, Annual Meeting 2003, and Winter Meeting 2005;
reaffirmed Winter Meeting 2007 (formerly Policy HR-1).*

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33 - EMPLOYMENT SECURITY SYSTEM POLICY
(EFFECTIVE ANNUAL MEETING 2006-ANNUAL MEETING 2008)



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08/10/2006

ECW-11. Employment Security System Policy

11.1 Preamble

The Governors support a national system administered by states of unemployment insurance (UI) benefits, employment service (ES), and labor market information (LMI). Such a system serves an important public function for unemployed workers, job seekers, and the nation's business community. The system is funded by federal grants to states for administration. These funds are appropriated from federal unemployment taxes paid by employers and deposited in the federal accounts of the unemployment trust fund.

11.2 Excessive Federal Unemployment Taxes

The Governors are concerned about the historical trend of the federal government collecting excessive federal unemployment taxes to help reduce the federal unified budget deficit. Governors encourage Congress and the Administration to work with states on proposals that would reduce the current tax burden.

Federal unemployment tax revenue should be used only for federal grants to states for administration of state unemployment insurance and employment service, labor market information programs, the Veterans' Employment and Training Service (VETS), federal administration of state employment programs, the federal share of the federal-state extended benefits program, loans to states that have exhausted reserves to cover benefits, and the benefits and administration for third tier programs such as the recently expired Temporary Extended Unemployment Compensation program. Federal Unemployment Tax Act (FUTA) funds should be used only for their dedicated purposes and should not be used to artificially offset the federal deficit.

11.3 Administrative Funding

Governors are concerned with inadequate return of funds to support



administrative operations in each state. A number of states have been forced to impose additional state taxes to make up for the lack of adequate federal administrative funding. Governors believe states should not be penalized for efficiency in administration of the program.

11.4 Repeal the "Temporary" FUTA Surtax

The Governors support the immediate repeal of this unnecessary "temporary" FUTA surtax to promote a more tax-friendly atmosphere for businesses and employers and to continue current, positive economic trends.

11.5 Reed Act Distributions

The three federal accounts in the federal unemployment trust fund have ceilings established by federal law. When all three accounts reach and exceed their ceilings, excess funds are distributed to state accounts of the unemployment trust fund under a Reed Act distribution.

Governors believe states are using the Reed Act distribution effectively for UI administration, UI benefit increases and expansions, employment services, improved solvency of their UI trust fund accounts, and payroll tax cuts for employers.

Governors support Reed Act distributions of excess funds in the federal accounts of the unemployment trust fund to make a larger share of FUTA proceeds available to states to improve state unemployment trust fund solvency, to allow states to cut payroll taxes on businesses, and to improve worker benefits and employer services while strengthening program operations.

These funds should be distributed pursuant to the original intent of the Reed Act, with maximum flexibility for states, including such uses as administrative financing of the employment security system and state extended benefit programs. In contrast, in 2002, when Congress enacted a federally funded temporary extended benefits program, states were authorized to use Reed Act funds only for: (1) regular compensation; or (2) additional compensation (if such state had entered into an agreement under the Temporary Extended Unemployment Compensation Act of 2002), for individuals eligible for regular compensation under the unemployment compensation law of such state.

These Reed Act distributions should be coupled with efforts to reform the current system and to reduce the ceiling on the loan account (see section 11.6). Governors call on Congress to help states promote business investment and job growth with maximum flexibility to support the state employment security system.

11.6 Reduce Ceiling on Loan Account

Large balances exist in the loan account accrued from a percent of covered wages paid in a year. The Governors believe such huge balances are



unnecessary because: (1) states no longer borrow as much as they did in the 1970s, since the federal government began charging interest on loans in the early 1980s; (2) the federal government has no risk of state default on loans (if states do not repay federal loans voluntarily within two to three years, the federal unemployment tax automatically increases on employers in debtor states to repay the loans); and (3) if there is a need for states to borrow and the Federal Unemployment Account is out of money, the unemployment trust fund is authorized to borrow from the general fund.

Governors support reducing the ceiling on the loan account to no more than the ceiling that existed until 1987, which was 0.125 percent of covered wages paid in the last year. This change would reduce the ceiling from \$19 billion to \$4.75 billion, leaving the account with ample funds for potential new loans.

11.7 Federal Income Tax Offsets

Governors support amending the Internal Revenue Code to authorize the U.S. Treasury to receive requests from states to offset federal income tax refunds to individuals who have received overpayments of UI benefits from states or who are delinquent in paying state unemployment taxes, consistent with state rules on collections. The federal government would be able to deduct its administrative cost for providing this service and then send the balance to the state to which the individual owes repayment of the overpayment or the delinquency.

11.8 Toll-Free Telephone Service for Interstate Unemployment Insurance Claims

Governors support allowing federal funds to be used for state costs associated with establishing and maintaining toll-free telephone numbers for UI claims inquiries and for filing initial and continued UI claims. Most states take UI claims via telephone, the Internet, or both instead of through local offices, resulting in interstate claimants and some intrastate claimants having to pay long-distance charges they can ill afford to file a claim. Because of federal underfunding of UI administration, most states cannot afford to provide this toll-free service with their federal administrative grants for UI.

*Time limited (effective Annual Meeting 2006–Annual Meeting 2008).
Adopted Annual Meeting 1996; revised and reaffirmed Annual Meeting 1998;
revised Annual Meeting 2000, Annual Meeting 2002, Annual Meeting 2004, and
Annual Meeting 2006 (formerly Policy HR-35).*

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SECTION II

NASWA ISSUE UPDATES

- National Electronic Labor Exchange
- Special Reed Act Distribution
- Appropriations Outlook, Fiscal Year 2009
- Rescission to Workforce Investment Act Programs
- Administrative Funding, Unemployment Insurance
- Emergency Unemployment Compensation, 2008
- Unemployment Insurance Modernization
- H-2A Foreign Labor Certification
- Trade Adjustment Assistance
- Workforce Investment Act
- Priority of Service for Veterans



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INFORMATION UPDATE

NATIONAL ELECTRONIC LABOR EXCHANGE

BACKGROUND

The JobCentral National Labor Exchange (JobCentral-NLX) effort began as a response to the U.S. Department of Labor (USDOL)'s discontinuation of America's Job Bank (AJB). JobCentral-NLX is offered at no cost to state workforce agencies through a partnership with the National Association of State Workforce Agencies (NASWA) and the DirectEmployers Association (DEA). DEA is non-profit membership company with over four hundred members, many of whom are Fortune 500 companies.

The initiative helps fulfill the Wagner-Peyser Act requirement of “a nationwide system of public labor exchange services,” providing a single place where job seekers can find national employment opportunities for free. For state agencies, the initiative brings fresh, non-duplicative job openings into state job banks, allowing state customers access to more employment opportunities. Another advantage for states is the great flexibility in the type of job-order downloads possible. For example, states can select the entire national file, state-specific job orders, combinations of certain zip codes, or other.

For employers JobCentral NLX is a low-cost and a no-cost transition from AJB. JobCentral-NLX helps business meet their respective affirmative action program objectives, federal contract compliance obligations, and veterans hiring goals. The initiative helps employers satisfy their Federal Contractor Job Listing (FCJL) compliance requirements because all state veterans' representatives receive job orders from VetCentral -- a JobCentral-NLX niche site. This complements states' efforts to meet their responsibility to help federal contractors meet their compliance requirements and ensures veterans' priority.

Finally, in addition to general recruiting across all industries, JobCentral-NLX serves as the primary focal point for recruiting targeted workforce groups such as the physically



and mentally challenged, diversity candidates, veterans, and senior members of the workforce.

STATUS/UPDATE

A total of 47 states signed the state participation agreements with DEA. States that have not signed the agreement include: Pennsylvania, Louisiana, Michigan, Rhode Island, and Puerto Rico.

Currently three states are receiving hosted-site services while the rest of the states are uploading or downloading job-order feeds. A total of 38 states are uploading jobs to JobCentral, while a 6 are in testing for their upload process. A total of 27 states are taking a direct download into their state job bank. An additional three states have indicated they would take a download as soon as their new system is implemented. Finally, another 7 are in testing toward taking the taking the download.

Since late September 2008, the JobCentral NLX is also receiving a download of jobs from USAJOBS. Sponsored by the federal Office of Personnel Management, USAJOBS is a job bank containing federal government positions. This download of federal job openings is available to states for inclusion in their own states job-banks. To date, the following states have requested the USAJOBS be fed into their own job bank: Alabama, Arkansas, Connecticut, Delaware, Delaware, Florida, Hawaii, Iowa, Kansas, Kentucky, Minnesota, Missouri, Nevada, New York, Oklahoma, South Carolina, Tennessee, Texas, Utah, Vermont, Washington, and Wisconsin. States interested in receiving this download may contact NASWA and indicate their interest.

The Alliance has also negotiated a new partnership with the Army Reserve (AR). This effort establishes JobCentral NLX as the employment search engine on the Army Reserve website. JobCentral NLX, skinned to match the AR website would place state jobs in front of over one million soldiers. This dramatically increases the pool of service men and women our system can reach. Soldiers have been provided access information to the Army Reserve website (http://www.armyreserve.army.mil/ARWEB/NEWS/WORD/Employer_Partnership.htm) allowing them to conduct job searches and apply for employment with many employer partners.

The Army Reserve is engaged in an even larger effort titled the Employer Partnership, which was announced to all Army Reserve Soldiers on Tuesday, October 7, 2008. The program's intent is to work with employers and associations to help employ trained Army Reserve soldiers, facilitate both a civilian and military career, and encourage membership in the Army Reserve. Within this framework, the Army Reserve is in the process of developing partnerships with many companies and other organizations nationwide. The AR has requested states sign a Memorandum of Understanding with their organization to help increase the visibility of this effort. A signed MOU allows DEA to begin displaying the jobs state are already uploading to the NLX to begin displaying on the Army Reserve website. States that have signed the MOU include: Alaska, Arizona, Arkansas, California,



Connecticut, Florida, Idaho, Indiana, Iowa, Maine, Massachusetts, Minnesota, Mississippi, Missouri, Nebraska, New Hampshire, North Carolina, Ohio, Oklahoma, South Dakota, Tennessee, Texas, Utah, and Vermont. Many more are expected to sign and are going through a clearance process.

Responding to the needs of workforce agencies in states affected by the financial market crisis, the NLX Alliance has also been engaged in creating and implementing a rapid reemployment initiative. This initiative focuses on the creation of three on-line tools that can be integrated on state websites – states can choose where and how they will be integrated. The first tool involves creating the capability to allow a downsizing employer to enter information about the type of workers affected by the layoff in terms of location, occupation and skills. The downsizing employer can select who views the information – other hiring employers, a state workforce agency, etc. This module also allows for a hiring employer to search this information and identifying a recruiting pool by location, occupation and skills. The second tool allows for state workforce agencies, the military, community colleges, etc. to enter information on sponsored career events. This tool would allow employers and jobseekers to identify opportunities for recruitment and job search respectively. The information would be entered by the entities holding the career event, while the system would automatically delete those events that have been completed. Finally, the third tool would allow workers affected by a downsizing event to upload their resume into a special grouping of resumes that could then be viewed by hiring employers interested in the particular skill-sets the workers of this downsize event possess.

In early November DEA created a prototype of the tools, shared with states and employers, and is reviewing comments and implementing changes. The NLX Alliance and the participating states which include New Jersey, New York and Connecticut are aiming to have the three on-line tools completed in early January.

Finally, the NLX Alliance has been discussing and is close to sealing a partnership with the US Department of Veterans Affairs, Veterans Entrepreneurship and Small Business Development program and with the US Chamber of Commerce. In the first case, the VA maintains a list and provides services to veterans who are small business owners. These small business owners are interested in hiring other veterans but have not been able to successfully recruit veterans. We are currently exploring allowing them to list for free on the NLX and sending the jobs to the appropriate state job banks. In the second case the US Chamber of Commerce is interested in the NLX partnership with the Army Reserve and in the Rapid Reemployment initiative. The NLX Alliance would be interested in having the US Chamber help promote the various on-line tools we are creating with business members.

*INFORMATION UPDATE*

SPECIAL REED ACT DISTRIBUTION

BACKGROUND

The turmoil in the economy is threatening state unemployment insurance reserves. At the start of the year, states held \$38.3 billion in their UI accounts. By September 30, this had fallen to \$36.7 billion. Thirty states might run into trust fund solvency problems if the current economic conditions and trends persist.

NASWA President Tom Whitaker, in an October 24th letter, urged Congressional leaders to support a \$6 billion "Special Reed Act Distribution" to state unemployment insurance and employment service programs in an economic stimulus package. The letter also urged Congress to allocate 10 percent of these funds for administration of unemployment insurance, employment services and labor market information.

The Reed Act provides an infusion of dollars directly into state unemployment insurance federal trust fund accounts. These funds can be used to pay benefits, or states can appropriate them for administration of employment services or unemployment insurance. A recent NASWA survey (below) confirms many States would use these Special Reed Act funds for such purposes.

Funds for a \$6 billion Reed Act distribution would come from excess funds in the Federal Unemployment Account (FUA) of the Unemployment Trust Fund. A NASWA analysis shows there are more than enough funds in the FUA to cover a \$6 billion Special Reed Act Distribution. The ceiling grows dramatically over the next five years to nearly \$31 billion and the balance rises to nearly \$16 billion by 2012. However, loans peak at only about \$8 billion in 2010.

*INFORMATION UPDATE***FISCAL YEAR 2009 APPROPRIATIONS OUTLOOK****BACKGROUND**

The process of considering the Fiscal Year (FY) 2009 budget began on February 4, 2008, when the Administration released the FY 2009 budget. The Administration's budget for USDOL proposed reducing discretionary spending to \$10.5 billion from the current level of \$11.4 billion and cutting deeply into major employment and training programs, reducing them by \$1.2 billion. It also would consolidate the Workforce Investment Act (WIA) programs, including the WIA Adult, WIA Dislocated Worker, WIA Youth funding into a single funding stream called Career Advancement Accounts. It would completely eliminate funding for Wagner-Peyser Act State Grants.

The following chart captures the extent of the cuts:

FY 2008 vs. FY 2009

Program	FY 2008 Appropriation	FY 2009 Request	2009 vs., 2008	Percentage Change
WIA Dislocated	\$1,446, 189	\$1,223,823	-222,366	-15 percent
WIA Adult	\$849,101	712,000	-137,101	-16 percent
WIA Youth	\$924,069	\$840,500	-83,569)	-9 percent
Employment Service Grants	\$703,377	--0--	-703,377	-100 percent
Labor Market Information	\$52,059	\$16,880	-35,179	-67 percent
Total, Workforce and Training Programs	\$3,974,795	\$2,793,203	-1,181,592	-30 percent

STATUS

The Senate and House Appropriations Committees (Labor-HHS-Education) marked-up their respective bills in late June and in a victory for the workforce system restored funding for Wagner-Peyser Grants to States as well as Workforce Investment Act (WIA) programs. The Senate Bill, S.3230, was reported out of the Senate Appropriations Committee on June 26, 2008. Markup on the House bill was suspended on June 26 because of a partisan dispute.



However, the appropriations process came to a halt in September and President Bush signed a continuing resolution that funds most government programs until March 6, 2009. The measure (HR 2628) funds 12 of the 15 cabinet-level departments and scores of federal agencies at their fiscal 2008 levels, with some individual increases being provided for a few specific programs. Unemployment Insurance program administrative funding received a \$110 million increase over the fiscal year 2008 level to help states cope with rising levels of unemployment claims.

The President's signature on the continuing resolution concludes two years of spending fights with the Majority in Congress and is the last appropriations measure President Bush will sign. From the time Democrats assumed control of Congress in January 2007, the President and Congressional Democrats disagreed over federal spending levels; particularly spending for domestic programs. This resulted in a veto of the Labor-HHS-Education bill in 2007, which led to the \$250 million dollar rescission of workforce program funding.



INFORMATION UPDATE

IMPACT OF THE \$250 MILLION RESCISSION TO WIA PROGRAMS

BACKGROUND

As part of the Consolidated Appropriations Act of 2008, a \$250 million rescission was applied to Workforce Investment Act (WIA) programs – Adult, Youth and Dislocated Workers. At the time, USDOL maintained that states had “unspent funds” from previous program years and the rescission would have little impact on current year funding. Over the last several months, NASWA has surveyed states to learn the impact of the rescission. As of August 13, 2008, NASWA received responses from 40 states plus the District of Columbia and found the following:

STATUS

- With the exception of four states, all others needed waivers to use PY 07 funds – which is current year funding – running from July 1, 2007 – July 1, 2008;
- 55 percent (\$110.4 million) of rescission payments are coming from States;
- 45 percent (\$91.8 million) of rescission payments are coming from Localities;
- Localities are using PY 07 funds to pay for more than 66 percent of the rescission.
- Nearly 62 percent of the repayment (representing about \$126.3 million) of the rescission is coming from the WIA Dislocated Worker program;

In addition, the narrative questions reveal that:

- About 80% of states expect **Performance Goals** will not be met;
- States will experience **cutbacks** in all types of training;
- **Fewer** Dislocated Workers, Adults and Youth being will receive assistance;
- Nearly 60% of states have or expect to have **layoffs or hiring freezes**;
- Nearly 44% of states indicate **One-Stops will have fewer staff**;



- Nearly 61% of states indicate a **reduction in comprehensive assessments** on skill levels, aptitudes and abilities;
- About 41% of states indicate a **reduction in Core Services**;
- Nearly 53% of states expect to experience a **reduction in outreach to state employers**.



INFORMATION UPDATE

SUPPLEMENTAL APPROPRIATIONS: ADMINISTRATIVE FUNDING FOR GRANTS TO STATES AND EXTENDED UNEMPLOYMENT INSURANCE BENEFITS

BACKGROUND

For most of 2008, NASWA urged Congress to support supplemental appropriations of up to \$110 million for grants to states for administration of state unemployment insurance programs. NASWA estimated states could be forced to administer an average of nearly 400,000 unemployment insurance claims for 2008 without any federal funding because states did not receive enough appropriations in fiscal year 2008 to cope with rising unemployment. While Congress provided a trigger mechanism to release additional funds when claims rise above a certain level, that trigger, as calculated by the Congressional Budget Office, was set too high in relation to the funding that was appropriated, creating a potential funding gap this year.

Indeed, the FY 2008 appropriation of \$2,454 billion was sufficient to administer about 2.4 million claims. However, additional funding to process unemployment claims would not be triggered until the claims level reached 2.786 million, leaving an unfunded gap of 386,000 (\$110 million) claims for which states might not receive any administrative funding.

STATUS

On June 30, President Bush signed into law H.R. 2642, the supplemental appropriations bill providing \$110 million in supplemental funding in the form of Grants to States for the UI administrative costs for the balance of fiscal year 2008. The report accompanying the legislation notes:

- While funding in the Consolidated Appropriations Act, 2008 is sufficient to cover the costs of processing 2.4 million Average Weekly Insured Unemployment (AWIU), claims have already climbed above 2.9 million AWIU. The amount provided will compensate States for the claims workload estimated by the Department of Labor up to the point where additional funds are released under a legislated trigger.

In addition, the primary UI-related features of the bill include:

- Emergency unemployment compensation benefits will be available to individuals who have exhausted regular unemployment compensation under state law in all states for up to 13 times the individual's average weekly benefit amount for the benefit year or 50 percent of the total amount of regular compensation payable to the individual during the individual's benefit year, whichever is less. (Note: this



- The bill provides a “reachback” to individuals who have exhausted regular unemployment compensation and whose benefit year ended no earlier than May 1, 2007.
- To be eligible, individuals must have exhausted all rights to regular state compensation and have worked 20 weeks in full-time covered employment or earned the equivalent in covered wages;
- No payments of federal emergency benefits would be made for any week beginning after June 30, 2009.



Emergency Unemployment Compensation, 2008 (EUC08)

BACKGROUND

The Emergency Unemployment Compensation, 2008 (EUC08) was signed into law by President Bush on June 30, 2008, Public Law 110-252.

The EUC08 program provided up to 13 weeks of 100 percent federally-financed compensation to eligible individuals in all states. EUC08 is payable to individuals who (1) have exhausted all rights to regular compensation with respect to a benefit year that ended on or after May 1, 2007; and (2) have no rights to regular compensation or extended benefits (EB); and (3) are not receiving compensation under the unemployment compensation law of Canada.

However, the Governor of a state may elect to pay EUC08 prior to the payment of EB. To qualify for EUC, individuals must have had employment of 20 weeks of work, or the equivalent in wages, in their base periods. Continuing eligibility is determined under the requirements of the state law.

Congress has enacted temporary extensions-during economic slumps-seven times in the past 50 years - in 1958, 1961, 1972, 1975, 1982, 1991 and 2002.

STATUS UPDATE

On Friday, November 21, 2008, the President signed into law H.R. 6867, the "Unemployment Compensation Extension Act of 2008," which extends Emergency Unemployment Compensation to 20 weeks, and creates a second tier of 13 weeks of compensation for individuals in States with unemployment rates higher than 6 percent.

The extension will be available for individuals who exhaust their unemployment benefits by March 31, 2009. Compensation provided under the legislation would expire completely on August 27, 2009. The extension is expected to cost about \$6.1 billion in fiscal 2009 and the bill marks the second time this year Congress has voted to extend the normal 26 weeks of unemployment compensation for jobless workers.

**INFORMATION UPDATE****UNEMPLOYMENT INSURANCE MODERNIZATION****BACKGROUND**

Legislation to modernize the unemployment insurance system was introduced in both the House and Senate in 2007.

STATUS

- The House bill, H.R. 2233, was introduced by Congressman McDermott (D-WA) and passed the House of Representatives in 2007. The Senate bill, S. 1871, was introduced by Senator Kennedy (D-MA) but did not move in the Senate Committee on Finance or on the Senate Floor.

Summary of Unemployment Insurance Modernization (UIM) in the McDermott and Kennedy Bills

Both bills require states to enact laws that would expand unemployment insurance benefits. As an incentive, both bills provide up to \$7 billion to state accounts in the unemployment trust fund as “incentive payments” and provide states \$100 million per year for five years for the administration of Unemployment Insurance. This payment is guaranteed to states under the bills and is not an “incentive payment.” The maximum amounts distributed to states would be based on state shares of estimated federal unemployment taxes paid by employers in each state. The cost of UIM would be financed by extending the 0.2 percent FUTA surtax through 2012.

McDermott Bill, H.R. 2233	Kennedy Bill, S. 1871
To receive one-third of the incentive payments, states must have an “alternate base period.”	SAME PROVISION
<i>The remaining two-thirds are distributed if the state law has two of the three following:</i>	<i>The remaining two-thirds are distributed if the state law has two of the five following:</i>
1) No denial of benefits to otherwise eligible workers who are seeking only part-time work;	1) SAME PROVISION
2) No disqualification from receiving benefits for job separation if it is due to compelling family reasons, such as domestic violence or illness of a family member;	2) SAME PROVISION
3) Continuation of weekly benefits for at least 26 weeks for those who have exhausted regular	3) SAME PROVISION



and/or extended benefits if they are satisfactorily participating in state-approved training;	
5) NO SIMILAR PROVISION	5) The maximum benefits must be 26 weeks times the individuals' weekly benefit amounts or it must be more than half of the individuals' total wages during the base period;
6) NO SIMILAR PROVISION	6) Dependents allowances are provided to all claimants at a level of at least \$15 per dependent per week. The aggregate limit on dependents' allowances must be at least \$50 or 50% of the weekly benefit amount.

Note: States could not receive the two-thirds share before they enact the alternate base period.



INFORMATION UPDATE

H-2A FOREIGN LABOR CERTIFICATION

BACKGROUND

In November, 2007, the Employment and Training Administration (ETA) issued a Training and Employment Guidance Letter (TEGL) impacting State Workforce Agencies (SWA) and their role in the H-2A program for employing foreign workers in temporary or seasonal agriculture jobs.

The TEGL, which was followed by a Notice of Proposed Rulemaking (NPRM) in mid-February, directs states to verify the eligibility of applicants referred to H-2A jobs. To determine that an individual is eligible for referral requires the SWA to complete an I-9 verification form. This requirement creates a major concern with many SWAs. While the SWAs would still be responsible for coordinating many activities associated with the processing of H-2A applications, SWAs would also be responsible for employment verification, such as the determination of whether job seekers are legally authorized to work in the United States.

Underscoring the point that SWAs need to check employment verification, a “Notice” was sent the first week of February from ETA Deputy Assistant Secretary Douglas F. Small to State Workforce Administrators indicating the Wagner-Peyser Act requires SWAs to refer eligible workers to open job opportunities. The “Notice” further states, “It would be illegal and irresponsible for any SWA to sacrifice the interests of U.S. farm workers by refusing to make job referrals in an effort to avoid filling out I-9 paperwork.”

STATUS

On April 14th, NASWA submitted written comments to the U.S. Department of Labor (USDOL) on the proposed H-2A worker visa program. NASWA, along with many States, expressed concern with the proposed regulations, especially the provision requiring SWAs to verify the employment eligibility of H-2A applicants. The Federal docket on H-2A has generated over 10,000 comments and the House Education and Labor Committee and the House Ways and Means Committee have held hearings on H-2A and foreign labor certification issues. It is unlikely Congress will seek to block a final rule.



NASWA made the following points in response to the proposed rule in its written comments:

The employment verification proposal is an unfunded mandate:

Requiring State Workforce Agencies (SWAs) to verify the employment eligibility of H-2A applicants is a federal mandate because it imposes an enforceable duty upon States whose non-compliance would result in a loss of Wagner-Peyser Act funds.

SWAs Lack Resources:

In view of the budget cuts to the FY 2008 USDOL appropriations bill and the \$250 million rescission to workforce programs recently implemented, NASWA expressed concern many SWAs are significantly under-funded to cover the basic functions required to administer the labor certification programs, such as housing inspections, prevailing wage surveys, and the processing of job orders and referral of applicants. In addition, Congress appropriated only \$12.5 million in Fiscal Year (FY) 2008 to process all foreign labor certification programs, including:

- Permanent Labor Certification Program (PERM),
- H-1B Specialty (Professional) worker Program,
- H-1B1 Specialty Worker Program,
- E-3 Specialty Worker Program,
- H-2A Temporary Agriculture Program,
- H-2B Temporary Non-agriculture Program,
- D-1 Crewmember Program.

Inconsistencies with Proposal and Regulations:

The proposed regulations encourage SWAs to use the E-Verify web-based system to conduct verification of employment eligibility. The guidance, however, on the E-Verify website says the earliest the employer may initiate a query is after an individual accepts an offer of employment and after the employee and employer complete the Form I-9. With the requirement to serve as a condition of employment, the proposed pre-employment eligibility verification by SWAs requires SWAs to prescreen workers using E-Verify when employers are not authorized to do so until they have offered employment and the individual has accepted. This raises the question of whether SWAs have the authority to prescreen when employers explicitly do not have this authorization.

Transmittal of Job Order to Other States:

The proposed regulation requires SWAs to transmit a copy of job orders to all SWAs listed in the application. With the elimination of the America's Job Bank (AJB), this requirement could be an onerous task for the SWA to complete, especially if the employer has many worksites in different states. NASWA recommended the use of the JobCentral National Labor Exchange system as a means for SWAs to transmit their active job orders to all States listed in the application. Currently, 47 states have this capability with the remaining states likely to participate before the end of the year.

*INFORMATION UPDATE*

TRADE ADJUSTMENT ASSISTANCE (TAA)

BACKGROUND

The Trade Adjustment Assistance Act (TAA), established under the Trade Act of 1974 and expanded in 2002 under the North American Free Trade Agreement, provides a variety of reemployment services and benefits to workers who have lost their jobs or suffered a reduction of hours and wages as a result of increased imports or shifts in production outside the United States. The TAA program helps program participants obtain new jobs, ensuring they retain employment and earn wages comparable to their prior employment.

STATUS

Although the TAA program expired at the end of 2007, Congress included funding to maintain the program in the Consolidated Appropriations Act of 2008 (P.L. 110-161) through September 30. The central issue, however, is how best to expand eligibility for TAA to include service sector workers and public agency workers. In October 2007, the House approved (264-157) legislation (H.R. 3920) to reauthorize and expand the Trade Adjustment Assistance (TAA) program. In addition to the expanded benefits and a broadening of eligibility for workers impacted by trade, the House-passed bill also included a \$7 billion distribution of Reed Act funds for states to expand eligibility for Unemployment Insurance (UI) and amended the Worker Adjustment and Retraining Notification Act of 1988 (WARN) to require additional advance warning before a mass dislocation. President Bush released a Statement of Administration Policy opposing the House-passed bill, noting it “converts TAA from a trade-related program to a universal income-support and training program.”

Because the House-passed bill included a Reed Act distribution and other unemployment insurance modernization provisions as well as the WARN language, it was unable to gain any traction in the Senate. As an alternative, Senate Finance Committee Chairman Max Baucus (D-MT) proposed the Globalization Adjustment Assistance Act in 2007 (S. 1848). Workers in the service sector and high-tech industry and those who lose jobs to countries that are not signatories to a trade agreement would be eligible for trade adjustment assistance benefits under that measure.



Finance Chairman Baucus has been negotiating with Ranking Member Charles E. Grassley (R-IA) and the White House to reach agreement on a bipartisan bill. Despite progress, Chairman Baucus (D-MT) announced July 25, 2008 that further action on TAA will not take place until 2009 because of the deadlock on the U.S.-Colombia free trade agreement.

*INFORMATION UPDATE*

WORKFORCE INVESTMENT ACT (WIA)

BACKGROUND

The Workforce Investment Act (WIA) created a new, comprehensive workforce investment system designed to change the way employment and training services are delivered. When WIA was enacted in 1998, it replaced the Job Training Partnership Act (JTPA) and allows for a broader range of services, including job search assistance, assessment, and training for eligible individuals.

WIA requires that a number of employment-related services be provided through a one-stop system, designed to make accessing employment and training services easier for job seeker customers. WIA also requires that the one-stop system engage the employer customer by helping employers identify and recruit skilled workers. The major hallmark of WIA is the consolidation of services through the one-stop center system. About 17 categories of programs, totaling over \$15 billion from four separate federal agencies, are required to provide services through the system.

The authorization for WIA programs expired on September 30, 2003. Congressional activity to reauthorize the Workforce Investment Act has been limited in recent years as efforts to negotiate an agreement on a WIA reauthorization bill in Congress have made little progress. In addition, the Bush Administration's proposed legislation to reauthorize WIA has also been met with resistance because of the Administration's support for Career Advancement Accounts, an effort to consolidate WIA programs into a single funding stream.

STATUS

The House and Senate are unlikely to consider legislation to reauthorize WIA in 2008 because of concerns from labor organizations on merit staffing provisions. Labor organizations are concerned if additional language is not included in the bill to strengthen the role of merit-based staff in service delivery, the Bush Administration would attempt to dilute staffing requirements in the regulatory process.



House Committee on Education and Labor Ranking Member Howard "Buck" McKeon (R-CA) did introduce a bill to reauthorize the Workforce Investment Act (WIA) in October of 2007. However, the bill has caused concern among Members of the Majority because of several controversial provisions to allow faith-based hiring.

In addition, NASWA is hopeful the new administration and Congress will turn its attention to WIA reauthorization in 2009. In preparation, NASWA partnered with the National Governors Association (NGA) to send a joint letter to Congress supporting recommendations for WIA reauthorization legislation.

The NASWA-NGA letter recommends collapsing core and intensive services into a new category of allowable services to provide states the flexibility to expand access to training services. The letter reaffirms the NASWA-NGA language to replace all performance measures and additional indicators across all programs directly or indirectly authorized under WIA, including WIA Dislocated Worker, Wagner-Peyser, WIA Adult, WIA Youth, Job Corps, Veterans' programs and related programs at the U.S. Department of Education, including Adult Education and Rehabilitative Services. The letter requests the elimination of any requirement to spend a percentage of Youth funds on out-of-school or in-school youth. The letter also requests clarification of terminology used to account accurately for obligated WIA funds to resolve ongoing confusion and the future threat of additional rescissions.

*INFORMATION UPDATE*

**Notice of Proposed Rulemaking (NPRM)
Priority of Service for Veterans and Eligible Spouses
New Regulations**

BACKGROUND

The U.S. Department of Labor (DOL) proposed new regulations on August 15, 2008, implementing priority of service for veterans and eligible spouses, as provided by the Jobs for Veterans Act (JVA) of 2002 and as specified by the Veterans' Benefits, Health Care, and Information Technology Act of 2006. Since enactment of JVA in 2002, priority of service has been implemented under policy guidance issued by the Employment and Training Administration. The purpose of the proposed regulations is to further articulate how priority of service is to be applied across all new and existing qualified job training programs.

STATUS

The priority of service provision ensures that veterans-and other covered persons-have access to and obtain priority in receiving the full array of services available from DOL funded programs/grants operated either independently or through the One-Stop delivery system. There are two contexts in which priority of service applies – individual programs and grants, and the integrated One-Stop delivery system. Once these data requirements for priority of service are in place, they will amend current Employment and Training Administration reporting mechanisms.

Priority of service means the right of eligible covered persons to take precedence over eligible non-covered persons in obtaining services. States must develop policies for the delivery of priority of service by (1) State Workforce Agencies; (2) Local Workforce Investment Boards; and, (3) One-Stop Career Centers.



Comments on the proposed rules are due no later than October 14, 2008. NASWA will be providing a detailed analysis of the proposed rule in early September.



