October 4, 2011

PREPARED TESTIMONY FOR THE RECORD of the:
HOUSE COMMITTEE ON EDUCATION AND THE WORKFORCE
Offered by Kristen Cox, Executive Director
Utah Department of Workforce Services

Introduction

Mr. Chairman and Members of the House Education and the Workforce Subcommittee, I am Kristen Cox, the Executive Director of the Utah Department of Workforce Services. I appreciate the opportunity to provide you with an overview of my observations on the re-authorization of the Workforce Investment Act (WIA).

The Utah Department of Workforce Services (DWS) believes the following core principles should guide all reform and reauthorization efforts focused on jobs, including the Workforce Investment Act:

1. Programs should be structured in a manner that maximizes resources for participants;
2. Requirements should be minimized and focused on developing a consistent and structured performance accountability system;
3. States should be provided maximum flexibility to design the programs and initiatives best suited to its citizens, businesses, and workforce development partners;
4. Budget streamlining should not just penalize the states—federal agencies should be examined and unnecessary bureaucracy and processes should be eliminated;
5. Innovation and risk-taking in the design and delivery of employment and job training services should be encouraged rather than penalized;
6. Programming should be data-driven and evidence-based with tangible accountability measures; and
7. Congress must refrain from establishing parallel job training programs and/or discretionary grants that duplicate the existing workforce system.

At the Utah Department of Workforce Services, our goal is simple – to help unemployed Utah citizens find employment. Since my appointment as Executive Director in 2007, I have worked to create a culture in the agency that reflects my belief that government should spend as much time focusing on operations as on public policy. Accordingly, we administer our programs with a guiding principle that directs money for training programs *to* those programs and not on administrative bureaucracy.

In Utah, we are employing an agency-wide strategy designed to align our entire department around a common goal — jobs. The strategy is based on our commitment to operational excellence, results, and to ensuring that Utah’s economy continues to be among the best in the nation. The strategy is also grounded in our philosophy that “people who can work do work” and, to-date has saved Utah taxpayers $18 million while caseloads in our Eligibility Services Division have increased dramatically. This direction may sound simple, but it is not a given with many of the federal programs administered by our department. We need to look at WIA reauthorization as a perfect opportunity to focus on streamlining processes and programs. As we do, I can't help but point out that the United States Constitution is only four pages, so I believe we have the ability to simplify the hundreds of pages that comprise the Workforce Investment Act. When combined with the hundreds of pages in the Code of Federal Regulations and all of the policy guidance letters, the current Workforce Investment Act creates a system crushed under paperwork and compliance.

The current design of the public workforce investment system is a maze of individual programs and funding streams with various mandates attached to each program. It is then the expectation of the states to manage through these mandates and bureaucracy and provide individuals and businesses with the employment and job training services needed, thus contributing to the improvement of the national economy. Just meeting individual program requirements, providing fiscal stewardship over each individual funding stream, tracking outcomes and results for individual programs, and implementing a business-friendly, customer-centric model around targeted program mandates is extremely inefficient by diverting finite resources from actual employment and job training services.

When properly aligned, program integrity efforts, re-employment initiatives, operational efficiencies, and trust fund management should ensure that limited resources are maximized and directed to those who are eligible for assistance and re-employment activities. Utah has an integrated model that captures over 90 different federal programs, giving us a unique and comprehensive perspective on employing individuals. In fact, a Government Accounting Office (GAO) report earlier this year singled out Utah for our consolidation efforts and noted that "the consolidation allowed job seekers to apply for assistance they had not considered in the past."

In Utah, we are committed to assessing the quality of programs administered and are proactively reviewing services in order to ensure maximum value is provided to the public. Reauthorization of WIA should take the same approach. As a state agency charged with administering some of the largest public assistance programs under scrutiny due to current budget deficits, the effectiveness of job training programs—specifically the effectiveness of the manner in which the services are rendered at the state level—is an issue of great concern to our stakeholders.

Accordingly, DWS has conducted an extensive job training analysis for the purpose of guiding policy-makers in decisions pertaining to training services. For example, the report shows that Utahns who complete DWS-assisted degree programs are 5% more successful finding employment and earn an average of $9,600 more per year than those who do not. The full research report will be available on the web at http://jobs.utah.gov/wi/trainingstudy later this week.

Because of Utah's landmark approach, our experience in understanding and working within a framework of a myriad of federal laws and regulations provides us with a unique perspective in providing recommendations and viewpoints on various federal law reauthorizations.

As the committee begins its important work, the State of Utah submits a comprehensive proposal for consideration that maximizes state flexibility and focuses on connecting job seekers with jobs.

<u>Workforce Investment Act Structure and Governance</u>
In order to promote efficiency, better serve job seekers, workers, youth and employers, and maintain a level of services with fewer financial resources, the federal government should provide states with a new Workforce Investment Fund, which is an integrated grant to states that combines the following current individual formulaic grants:

- Workforce Investment Act Adult
- Workforce Investment Act Dislocated Worker
- Workforce Investment Act Youth
- Wagner-Peyser Employment Service

These four funding streams provide the foundation for the Workforce Investment Fund because they provide the same or similar services, which could be enhanced to populations needing employment and training assistance.

In addition, at the request of the Governor, through a new Innovation Waiver process, the following programs could be delivered through the Workforce Investment Fund:

- Adult Education
- Vocational Rehabilitation
- Trade Adjustment Assistance (training)
- Veterans Employment and Training
- Food Stamp Employment and Training
- Temporary Assistance for Needy Families (employment/training)

The Innovation Waiver process would involve the appropriate Cabinet Secretary in charge of the program and would provide a state with an opportunity to demonstrate how delivery of the program would promote efficiency and improved services for customers and set a common standard for participation. Waiver requests would need to be responded to within 30 days, or the waiver request would be automatically approved. In addition, the waiver process should also allow states to include strategies that would better integrate and align Unemployment Insurance (UI) customers into the broader workforce system. Traditionally, and even in the President's recent jobs bill, UI re-employment efforts are isolated from the broader system and is often nonexistent in many states.

Utah also believes that Congress should decrease the number and amount of discretionary grants overseen by DOL and opt for funds with clear accountability standards. State and local governments spend too much time and resources on "chasing" money in the form of grants that may not best be suited for their unique needs. With diminishing resources, it's unfortunate that state and local governments are increasingly faced with the dilemma of hiring full-time grant writers or bringing consultants on board who are well-versed in how to navigate the grant process. Consequently, grant awards can be made on how well the application is written rather than on the actual merits of the proposal. It has become its own cottage industry.

In addition, grants require separate budgeting, monitoring, and reporting—all of which take away money from customers and expand administrative overhead.   Grants can take too much time to approve and often end up being one-time programs with no prospects of sustainability. States need resources they can count on to develop meaningful programs that can measurably move the needle over time and quickly respond to structural changes.

Discretionary grant programs such as the Workforce Innovation Fund would be eliminated in order to maximize funding to the states. Utah feels that directing any portion of federal funding currently set-aside as Statewide Activity funds for state-led innovations to a new federally dictated, controlled and prescribed program (such as the Innovation Fund) adds bureaucracy and defeats its intended purpose. I maintain that governors, not the federal government, are uniquely positioned to innovate and advance systemic workforce development initiatives. Washington, D.C. should not be determining what is or is not innovative in Utah – the decision should be made by Utah's Governor.

National Emergency Grants should be maintained in order to fund unforeseen dislocation events. However, with excess monies historically existing year after year at the end of a program year, the authorization for funding would be capped at $100 million annually and grant requests would need to be responded to with 45 days of the receipt of the application. Other small programs that maintain a separate delivery system to serve special populations would be eliminated with services to these populations specifically authorized under the Workforce Investment Fund.

Unified State Planning: The current state planning process is an exercise in frustration as there is no real purpose for the planning—it is essentially a "check the box" exercise. Every year, Utah submits hundreds of pages of plans and I am uncertain as to whether or not they are ever reviewed by appropriate officials. Recent proposals seek to improve unified state planning by requiring lots of new reporting on the "coordination" of programs. This approach is flawed in that it increases the work and burden on states with no measureable positive impacts as programs and funding streams remain separate and delivered by a multitude of entities and delivery systems.

As part of the Workforce Investment Fund implementation and Innovation Waiver process, a unified state plan would provide meaning and reason to the plan. The goal of a unified state plan should not be to provide lots of details on "hoped for" coordination; rather, it should be a meaningful document describing to the federal government and the public the types of services, methods of services, and goals and objectives of service delivery and integration. The Workforce Investment Fund unified state plan would be a guiding document promoting reform, improved services, and actual results.

Local Workforce Investment Areas/State and Local Workforce Investment Boards: The current structure and responsibilities of state and local workforce investment boards are a legacy of the 1970s era Comprehensive Employment and Training Act (CETA). Because CETA funds flowed directly from the federal government to local cities and counties, local "Private Industry Councils" were formed, which continued through the 1980s and 1990s under the Job Training Partnership Act (JTPA). At the same time local job training funds were being appropriated to counties and cities, funds for the same or similar services were being provided to states through programs such as the Wagner-Peyser Employment Service and Trade Adjustment Assistance.

The Workforce Investment Act of 1998 tried to balance this shared state-local employment and job training service provision responsibility by crafting responsibilities of local workforce investment boards in coordination with the state local workforce investment board. In conjunction with this, WIA provides very little flexibility to re-designate local workforce investment areas around economic regions or changing demographics due to a desire to protect the current system. A few states, such as Utah, have additional flexibility as "single state workforce area," but this designation is authorized under a grandfathering provision, which allows few changes unless a state is willing to risk losing this special flexible designation.

Reform of the workforce investment system needs to include fewer federal mandates around the state and local workforce investment boards and areas and more emphasis on allowing innovative design that improves services for customers and more efficient service delivery.

States that are currently single state workforce areas should be allowed to remain and make modifications without the threat of losing the designation and additional states should be allowed to re-designate as single state workforce areas if doing so improves service delivery and efficiency. In addition, governors, through consultation with local stakeholders, should be able to re-designate local workforce investment areas and report the criteria and rationale for local workforce designation to the federal government. WIA should promote alignment of workforce investment areas around regional economic or other appropriate criteria and not around what is politically expedient.

Finally, governors should have flexibility around who should be on the state workforce investment board, and should have options to designate a state economic development or other appropriate council to also serve as the state workforce investment board. Reform should promote the integration of state economic development, education and workforce development policies and service delivery, and should not maintain unnecessary barriers to this integration.

Local workforce investment board membership should be decided through a negotiated process between the governor and local elected officials, and should not be mandated as part of a "top down" approach. Broad criteria could be put in a WIA reform bill with governor's reporting to the federal government the rationale behind state and local workforce investment board structure and membership.

One-Stop Center Delivery System: The idea behind a "one-stop" delivery system is sound**—**workers, job seekers, employers and others can access a host of federally-funded employment and training services at one physical location or through a coordinated electronic delivery system. Unfortunately, due to the "silo" nature of the various programs and the incentive for those working for individual programs to protect their own infrastructure, the costs of maintaining physical and technological infrastructure has been borne mainly by the WIA-funded programs and Wagner-Peyser. As a result, service coordination has been inconsistent from local area to local area and WIA funds are rarely used for training services because a vast majority of the dollars are paying for personnel, building, utilities, and supplies.

To strengthen the one-stop system and reduce duplicative, “siloed” infrastructures, integrating funds into the Workforce Innovation Fund is the first step to solving the problem. However, the federal government should also provide governors with a mechanism to identify other employment and job training programs that could be delivered through the one-stop system and provide flexibility by: (1) allowing the “pooling” of administrative dollars for one-stop infrastructures; and (2) offering incentives to foster further integration. For instance, community colleges and other higher education partners maintain an extensive set of physical buildings throughout urban, suburban and rural communities. States that develop innovative solutions to service delivery by integrating higher education infrastructure with the one-stop system could be provided incentive funds for promoting efficiency and greater service access to customers.

Education and Training Services

The United States economy has changed dramatically over the past two decades as a result of new technologies and globalization. As a result, successful attachment to the labor force to include good earnings requires access to skills and competencies gained through post-secondary education and job training. “Light-touch,” low-cost employment services do not provide everyone with the ability to compete well in the labor market.

The Obama administration, along with a host of businesses, philanthropic foundations, and community-based organizations, have called on increasing the number of individuals receiving post-secondary credentials including industry-recognized certificates, associate’s degrees and bachelor’s degrees. Along with simply improving credential attainment, workforce investment system leaders and managers must also ensure that these credentials align with job and career opportunities within local and regional labor markets.

The Workforce Investment Act of 1998, while trying to instill accountability for employment results and ensuring that training institutions provided skills for available jobs, created a number of requirements and mechanisms that have proven difficult to manage and have limited customer opportunities for post-secondary education and training. Along with system design changes detailed above, specific changes to education and training delivery should provide more opportunities for individuals to access high-quality post-secondary education and training.

Eligible Training Provider Lists: In order to ensure that training participants were receiving quality training attached to labor markets outcomes, WIA created the Eligible Training Provider (ETP) lists, a set of post-secondary education and training providers maintained by states. WIA mandates a set of requirements for states to follow when designing and maintaining the ETP, which has only had the effect of keeping good providers away from serving WIA customers due to the onerous reporting and application burdens.

To alleviate this challenge, an institution of higher education receiving regional accreditation from one of the recognized regional accrediting bodies should continue to be automatically eligible as a WIA provider. States can set additional criteria focused on programs and align eligible provider programs with jobs-in-demand. For post-secondary institutions accredited through a national accrediting body, such as the American Council on Education, a streamlined approval process should be provided whereby states could provide expedited clearance based on a simple set of standards and business practices. For any institution not granted either regional or national accreditation, states could set a rigorous set of requirements tied to outcomes and accountability reporting.

Contracting and Individual Training Accounts: More flexibility should be granted to states to utilize a training account mechanism and/or contracting mechanism when working with post-secondary partners on the provision of education and training. Appropriate customer choice in training tied to employment is an important principle and should be promoted. In addition, opportunities exist for cohort training whereby a group of similarly situated workers (sometimes dislocated) would benefit by entering a training program at a community college, other institution, or appropriate employer-sponsored and/or hosted training. States need flexibility to maximize both approaches in order to foster increased access to post-secondary education and training services.

Eliminate Sequence of Services: Currently under WIA, a participant must first avail himself/herself to "core" and "intensive" services in order to access training. The premise behind this requirement was a promotion of employment as the main outcome of the workforce investment system; however, it has promoted a "one-size-fits-all" culture to the provision of services and has added unnecessary costs as a result of meeting the federal sequencing mandate.

In designing services based on data, employer feedback, and industry needs, states should be given flexibility to provide a menu of services to participants accessing workforce investment services. States should also be encouraged to utilize appropriate assessments, up-front, to assist customers with the services most beneficial to them in obtaining good-paying jobs.

Youth Programs: Although it is proposed that the WIA youth program be integrated into the Workforce Investment Fund, services to youth should be maintained. However, federal requirements should be limited to developing eligibility standards in serving the most vulnerable youth and should not dictate the manner or impose burdensome reporting criteria. A separate summer youth program should not be authorized and the focus of youth services should be on helping youth obtain a high school diploma and making a transition into a post-secondary program of study. A priority should be placed on supporting youth models with a proven record of results either through an impact evaluation or other recognized mechanism.

Performance and Financial Reporting

Various employment and job training programs have a myriad of performance measures, program definitions, and rules around reporting performance as well as financial spending and reporting. The result is time-consuming and burdensome reporting requirements for states that do not provide a clear picture as to the true effectiveness of many of these programs. Changing and conflicting rules and expectations around financial spending and reporting have resulted in a lack of consistent reporting on obligations and expenditures, thus making the system vulnerable to rescissions and reduced appropriations.

Core Indicators of Performance: The four adult indicators and four youth indicators of performance implemented as "common measures" should be codified in the Workforce Investment Act reauthorization as well as applied to all employment and job training related programs across the federal government, including Temporary Assistance to Needy Families, Carl Perkins, and other discretionary job training grant programs. In order to more efficiently report, limited access to the National Directory of New Hires should be authorized to efficiently obtain data needed on employment and wages while maintaining privacy protections.

Common Definitions and Data Validation: Integrating programs will reduce the variety of definitions, but in addition, all employment, education, and job training programs should have a mandated use of common definitions such as "entered employment" or "job retention." In addition, states should be given flexibility to define "work engagement" for purposes of common reporting on programs that require this standard. Efforts to validate data are important, but should be limited to only those elements and procedures that are absolutely necessary to ensure data integrity. In addition, methods for cross matching data across programs should be consistent—allowing states to modernize and streamline their data and performance systems.

Financial Reporting: In order to resolve lingering issues around obligation and expenditures, WIA reauthorization should clarify that the Workforce Investment Fund would allow one year to obligate funds and two years to spend funds. Encumbrances should be considered as obligations. Limiting carry-over from three years to two years would resolve concerns about funds remaining unspent for a long period of time. This would streamline financial reporting and provide greater transparency for funds.

Administrative Issues

The U.S. Department of Labor maintains an oversight and technical assistance support function that can be costly and may not always provide value-added services to the states. Streamlining of administrative processes should occur in order to ensure that the maximum amount of appropriations is provided to the states for services and that bureaucracy is not causing needless waste of state resources and staff time.

Regional Offices: The U.S. Department of Labor, Employment and Training Administration currently maintain six regional offices—down from ten a decade ago. The responsibility of the six regional offices is to provide grant oversight for both formula and discretionary grants. State officials are to interface with their appropriate regional office and not Washington, D.C. headquarters.

The regional office structure is a hold-over from pre-internet times, when access to affordable telecommunications and air travel was also difficult. The premise of this structure is that offices were needed close to the states in order to provide technical assistance and guidance on a number of programs. However, given that states can directly interface with program experts, administrators, and grant officers in Washington, D.C., the regional office function could be improved.

Align WIA Reporting Burden: In Utah, the WIA program reporting burden as a percent of total administrative costs is five times that of other programs. The average cost of reporting for all Utah Department of Workforce Services programs is about 1.0 percent of total administration. However, WIA is at 5.2 percent and Wagner-Peyser is at 2.3 percent. U.S. Department of Labor reporting and monitoring burdens are significantly higher while funding is significantly less than other employment and job training programs.

Access to Electronic Verifications: Utah recommends that WIA reauthorization make provisions for an agreement with SSA for states to use the SOLQ/SVES files to verify SSNs and SSI benefits. Additionally, having access to VA data to more readily identify Veterans would help us serve employers and Veterans. Veterans are one of the nine groups of job seekers to qualify for the WOTC. In addition, having VA data would help us identify Veterans who are job seekers. The Administration for Children and Families and the VA have made this possible through the PARIS project for public assistance programs by allowing access to data from the VETNET system, so the VA has proven their willingness to work with agencies to supply data.

Inspector General Oversight: The Inspector General plays an important role in assuring that grant and other funds are used appropriately and for program purposes. However, there are often more officials working on Inspector General reports and probes than there are federal program officials or state program officials who are tasked to maintain day-to-day operations. In addition, Inspector General staff are incentivized to “find something wrong” so even though there may not be an issue, they will still develop “findings” in order to justify the expenditure of dollars toward a report or investigation. Congress should investigate this issue and provide limitations on expenditures by the Inspector General when a legal issue (fraud or abuse) does not exist within the scope of a report or investigation.

Conclusion

As our nation struggles with reducing its debt while providing critical services, we must ask ourselves how the taxpayer would define “value” and if they would be willing to pay for it. I suggest that many of the procedural aspects of WIA could not pass this test. However, at its core, WIA provides significant value to the customer and to our nation as it elevates the competitiveness and economic prosperity of our workforce. WIA reauthorization should rest squarely on its core value and discard any efforts to weigh it down with non-value added activities.

The State of Utah stands ready to assist the Committee in its efforts to bring innovative policy answers that aggressively address the Workforce Investment Act. We believe that states are the appropriate starting point for re-authorization conversations and encourage you to maximize flexibility and allow states to focus on helping people find employment and then hold them accountable for doing so. Thank you for the opportunity to address the Committee and I look forward to answering any questions you may have.