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The Workforce Investment Act: Fully Restore the 15 Percent Set-Aside for Statewide Activities

The nation's governors request that Congress reinstate the full 15 percent WIA set-aside for statewide activities in FY2013 appropriations to provide vital employment and training services to the nation's job seekers and businesses. As a result, NGA strongly supports the House FY 2013 appropriations language. Governors have serious reservations with regard to the Senate FY 2013 appropriations language as it would adversely affect state administration of vital workforce programs. Governors' concerns are detailed below.

FY2013 House of Representatives Appropriations

In July 2012, the House Appropriations Subcommittee on Labor, Health and Human Services, Education, and Related Agencies marked-up its own FY2013 bill. The bill **fully restores governors' authority to reserve up to 15 percent of statewide adult, youth, and dislocated workers funds.** The bill also provides no funds for the Workforce Innovation Fund. The bill awaits a vote by the full House Appropriations Committee. **Governors applaud the House Appropriations Subcommittee for restoring the 15 percent Workforce Investment Act (WIA) set-aside funding for statewide employment and training programs.**

FY2013 Senate Appropriations

In June 2012, the Senate Appropriations Committee passed the Labor, Health and Human Services, Education, and Related Agencies bill for FY2013. The bill report continues language authorizing the governors to reserve no more than 5 percent of state WIA funds, but the committee added new bill language allowing Governors to reserve up to 10 percent of WIA State grant program funding if half of the total set-aside is used to support on-the-job and incumbent training to improve the skills of workers, avert layoffs, or lead to employment, and is delivered on a local or regional basis for in-demand occupations or industries.

Governors and workforce administrators are concerned that the Senate language could adversely affect the delivery of vital services, most notably by eliminating the much needed flexibility inherent in existing law. Specifically, NGA has four primary concerns with the proposed Senate language:

(1) ***Eliminates Access to Education and Other Training Services and Business Supports****:* As proposed the Senate language would restrict the use of federal WIA set-aside funding to only "*on-the-job and incumbent training*." In doing so, the Senate language would eliminate federal funding for many valuable and effective training and employment services and supports, including education services, job banks, and numerous basic functions for clients, job seekers, and businesses.

(2) ***Eliminates Federal Support for Statewide Services:*** The proposed Senate language would restrict the delivery of services to "*local or regional basis*." In doing so, again, the Senate language would eliminate much needed flexibility to provide services statewide, such as job portals, employer outreach, and much more.

(3) ***Potentially Eliminates Access to State-Determined Business Needs****:* The proposed Senate language would only allow training for "*in-demand occupations or industries*." NGA is concerned by this generic and undefined term. Certainly, recent history points to the critical need to allow states to define "in-demand" to ensure that jobs align to the state business climate.

(4) ***15 Percent Set Aside Needed to Support Job Creation:*** The proposed language would allow Governors to reserve up to 10 percent of WIA funds. While NGA

appreciates the Senate's effort to begin restoring funding for the WIA set-aside, governors remain committed that the 15 percent set-aside is essential to help get Americans back to work and support job creation.

The following examples highlight the ways a sample of states would be negatively impacted by the Senate language:

Alaska
The Senate language does not restore the flexibility for states to determine how the set-aside will be used. The states have more knowledge of their residents' needs and have a better ability to target in-demand occupations as a result of economic development efforts for certain industries. Changes to the report language that will restore the entire 15 percent for the governor's reserve will provide the Department with the flexibility to develop creative solutions for the changing needs of our labor market and allow for the implementation of innovative approaches connecting regional economic development efforts that will target key sectors of the economy and their respective occupations.

Illinois
Governors need flexibility to implement incumbent worker and OJT projects to support economic development at the state level. Similar to other states, Illinois has allocated 15% set-aside funding towards building state and local public-private partnerships to develop customized sector initiatives that address the specific employment and training needs of one or more employers. Last year, Illinois redirected a significant amount of OJT NEG funding from local areas back to the state because there wasn't the local capacity to identify companies willing to hire qualified job seekers. Illinois' Economic Development Agency, in partnerships with industry associations and professional networks, then leveraged the 15 percent in funds with the OJT -NEG funds. Employer connections were made and over 200 manufacturing workers were hired, something that couldn't happen at the local level. As importantly, the reduction in 15 percent set-aside funds will make it impossible for the state to maintain technical assistance efforts to resolve fiscal and programmatic issues in local areas throughout the state. Funding for technical assistance is crucial in supporting struggling LWIAs in their efforts to provide unemployed and low skilled workers with the necessary services to get back to work.

Kentucky
The Senate language places unnecessary restrictions on Governors who are empowered by their states' electorate to identify and solve the problems specific to their jurisdiction. While the activities identified in the language may be appropriate in some, if not all states, there may be places where the system itself needs to be retooled in order to deliver such services. In this case, a governor should have the option to use the state set-aside to create an efficient delivery system rather than dedicate resources to prescribed activities which may not produce the desired results due to a dysfunctional or antiquated system. If the set-aside were restored to the original 15 percent, such a restriction on five percent for the activities described would be understandable and acceptable, however to prescribe what must be delivered with the funds and no additional resources to identify and fix problems with infrastructure, process and policy required for that delivery is akin to an unfunded mandate.

Virginia
This restricted scope of use for half of the Governor's Reserve Fund would continue the many significant challenges that are currently faced under the reduction from fifteen percent authorized reserve under WIA. This reduction has led to over 66 percent reduction in funding for Virginia and has produced the following results:

- Severely limited the ability to fund innovative initiatives directed to the underemployed adult, dislocated worker, and at-risk youth populations;
- Continues to diminishes oversight and essential system enhancement activities that lead to efficiencies resulting in reduced costs;

- Minimizes incentives for Local Workforce Investment Area performance, which is a required activity under WIA;
- Limits provision of essential technical assistance for One Stop Career Centers and youth program service providers.

Wisconsin

The State's waiver for lay-off aversion has not been utilized by the Workforce Development Boards since the WIA reserve funds were effectively eliminated. Their WIA formulae allocations did not even cover the unmet need of dislocated worker and the long-term unemployed populations since the 2008 recession, therefore, formula funds could not be used for other populations or initiatives.