NATIONAL ASSOCIATION OF STATE WORKFORCE AGENCIES (NASWA)
STATEMENT ON FISCAL YEAR 2011 APPROPRIATIONS

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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 agencies' programs and policies, as a liaison to workforce system partners, and as a forum for the exchange of information and effective practices. Our organization was founded in 1937. Since 1973, it has been a private, non-profit corporation, mainly financed by annual dues from member agencies. Our members administer critical programs including the Workforce Investment Act (WIA), Veterans' Employment and Training Services (VETS), Labor Market Information (LMI), Unemployment Insurance (UI), Trade Adjustment Assistance (TAA) and Employment Service (ES).

Appropriations Request:

NASWA is requesting an increase of $1.5 billion above the Fiscal Year (FY) 2011 budget request for the U.S. Department of Labor (USDOL). It includes the following: (1) $500 million for Reemployment Service Grants; (2) $500 for Wagner-Peyser employment state grants; and (3) $500 for million for State Administration of the Federal-state unemployment insurance program to upgrade state computer systems.

The Economy and the Recovery Act

The United States is attempting to recover from the most severe recession since the 1930s. At 9.7 percent, the unemployment rate is about twice what it was in December 2007 at the beginning of the recession. Since that time, employers have shed about 8.4 million jobs. We would need persistent job growth over the next few years to regain the 8.4 million payroll jobs lost since December 2007, and we need about 11 million jobs to restore the unemployment rate prevailing before the start of the recession. Although job losses have subsided recently, employment has yet to increase significantly.

During the 12-month period ending September 30, 2009 a record 37 million workers obtained services though the nation's publicly-funded workforce system. This represents more than a 40% increase in the number of customers served from the same period a year earlier in which the workforce system served 26 million persons. Through the collective strength of the Workforce Investment Act, Veterans' Employment and Training Services, Labor Market Information, Unemployment Insurance, Trade Adjustment Assistance and Employment Service (ES) – the workforce system will be crucial to the reemployment and economic welfare of about one in five American workers.

The American Recovery and Reinvestment Act (Recovery Act) was a lifeline to workers and states. Over the last six months, NASWA has conducted a series of surveys to better learn how these funds have increased service capacity and encouraged transformation and innovation in the workforce system and have summarized our findings:

0. The workforce system is spending Recovery Act funds to provide services expeditiously, with many states having obligated much of their funding for the WIA programs.

1. Thanks to Recovery Act funds, states have substantially increased the number of customers in WIA-funded training, with a greater emphasis on longer-term training than existed prior to the Act.
2. Funding for Reemployment Services has allowed states to serve more UI claimants identified through the profiling system, over 3 million nation-wide. Many states report increases of 25 percent or more in the number of claimants receiving services such as referral to training, one-on-one career guidance, development of individual reemployment plans, job search workshops, and job finding and placement services. States have also invested RES funds for sustainable upgrades in workforce technologies.
3. The supplemental ES funding has helped states meet the overwhelming demands for workforce services, allowing them to provide over 3 million UI claimants with job finding and placement assistance, job search workshops, and assessment and career counseling.
4. The majority of states have used Recovery Act funds to substantially enhance their WIA and Wagner-Peyser Act assessment and career counseling services.
5. The Recovery Act has also allowed states to provide more supportive services and needs-related payments, such as increases in transportation spending, child care spending, and dependent care and housing.
6. However, as the demand for services exceeds funding and staffing, sustaining the current levels of services, especially as funding declines, will be very difficult.

CLARIFY LANGUAGE REGARDING OUTLAYS AND OBLIGATIONS

The issue of outlays and obligations has been the source of substantial confusion among states and Congress that led to the $250 million rescission for WIA programs as part of the "Consolidated Appropriations Act, 2008." While we applaud Assistant Secretary Oates for creating a team of Intergovernmental Organizations to address the issue, this subject poses significant challenges for USDOL and the states. While progress is being made, the Committee may want to ask the General Accountability Office (GAO) to update its November 2002 analysis of this issue that showed states are spending their WIA funds much faster than required under the law. Given the $250 million rescission and the infusion of funds from Recovery Act, stakeholders would benefit from the GAO recommendations.

STATES SPENDING RATES OF RECOVERY ACT FUNDS ARE ON TARGET

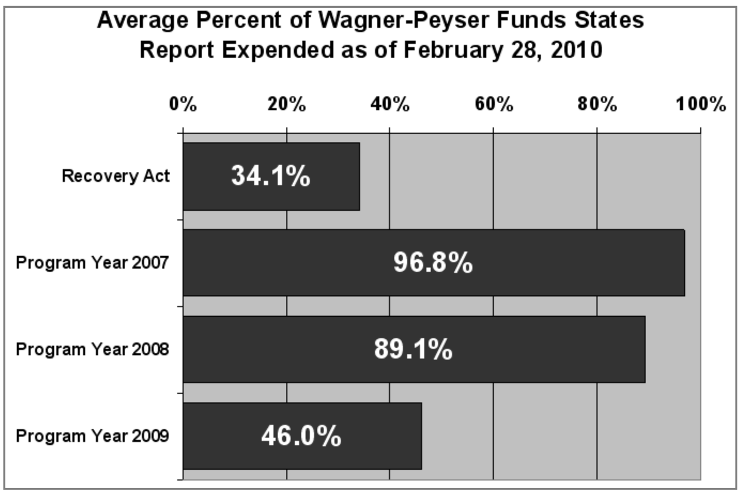
A recently completed NASWA survey shows states are spending Recovery Act funds at reasonable rates. WIA Recovery Act funds are considered to be program year 2008 funds and therefore must be expended by the end of program year 2010 (June 30, 2010). Recovery Act funds for Wagner-Peyser and Reemployment Services are available for obligation through September 30, 2010, and all funds must be expended by June 30, 2011.

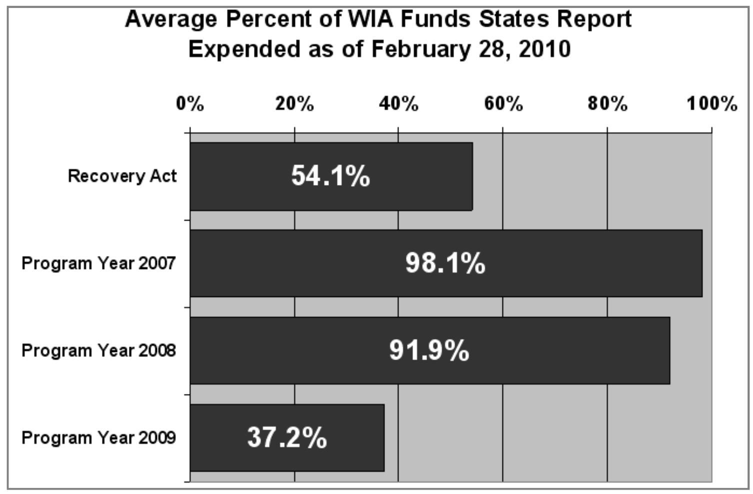
States began receiving the Recovery Act funds in May 2009 and a NASWA survey shows that in the last 10 months 41 states have spent on average 54 percent and obligated 79 percent of their WIA Adult, Youth and Dislocated Worker funds provided under the Recovery Act. In the last 10 months, states, on average, report obligating 46 percent of Wagner-Peyser Act funds provided under the Recovery Act and 51 percent of Reemployment Service funds provided under the Recovery Act. Obligations for Wagner-Peyser and Reemployment Services are slower than those for the WIA program because these programs are staff-intensive and salaries for staff are obligated at a slower pace. All states report that these funds will be obligated by September 30, 2010.

In addition, many states lacked the program infrastructure required for an effective Reemployment Service program within their state due to a lack of program funding over the years. States that did not have a Reemployment Service program infrastructure before the enactment of the Recovery Act needed to engage in extensive planning to determine how they would use their share of the Reemployment Service funds. States have since built the program infrastructure to provide Reemployment Services to UI claimants.

The table to the right summarizes the results of a recent NASWA survey that shows states are spending Recovery Act funds at reasonable rates. Since states were given 26 months to spend these funds and 10 months have passed, they should have spent about 38 percent of the funds if they plan to spend the funds completely by the end of the 26th month. The spending rates for the Wagner-Peyser Act and Reemployment Services funds are close to this expectation at 36 and 35 percent, respectively, and the WIA programs are well above this expectation at 54 percent.

RECOVERY ACT FUNDS	PERCENT OF FUNDS EXPENDED AS OF FEBRUARY 28, 2010 ACTUAL
Wagner-Peyser Employment Service (ES)	36%
Reemployment Services (RES)	35%
WIA Adult, Youth and Dislocated Worker	54%





WAGNER-PEYSER EMPLOYMENT SERVICE (ES) GRANTS

USDOL's proposed FY 2011 budget requests $703 million for Wagner-Peyser Act employment services state grants. Since, FY 2008 funding has remained at this level while the labor force and the demand for services has grown dramatically. The Recovery Act provided a one-time additional $150 million.

Employment services continue to serve as the core of the career one-stop delivery system established by the Workforce Investment Act of 1998 - helping individuals access job search assistance, skill assessments, career guidance, job matching and referrals, labor market information, as well as training services, all with the goal of facilitating reemployment. In addition, these state grants enable other critical programs to function at one-stop career centers including assistance to our nations veterans; administration of the Work Opportunity Tax Credit, development of labor market information and the Foreign Labor Certification program.

Employment services provided through the Wagner-Peyser Act are available to all workers—those with jobs looking for better career opportunities, those who have lost their jobs and are seeking reemployment, those seeking employment for the first time or those seeking to reenter the labor market. The Wagner-Peyser Act employment services played a key role in economic recovery from the Great Depression and the return of soldiers to civilian work after World War II. It again is playing these roles in the worst economic downturn since that time and the return of soldiers, sailors and marines from the conflicts in Iraq and Afghanistan.

NASWA appreciates the Administration's support for these services, especially as the budget notes *"the public Employment Service system is the cornerstone in the foundation of the national network of One-Stop Career Centers."*

Recommendation
NASWA recommends a $500 million increase for Wagner-Peyser Act employment services state grants. At an average cost of only $40 per participant, employment services are an unusually low-risk, low-cost, high-return investment for our nation's workforce. This investment has at least a 2:1 benefit-cost ratio with benefits such as higher earnings of participants, more taxes paid, and less income transfers to the unemployed. Numerous studies have concluded employment services are not only successful at job placement and retention, but also they are highly cost-effective.

Even with the Recovery Act funding, the discretionary funding for employment services has remained relatively constant (in nominal dollars) over the past two decades. With stagnant funding and purchasing power erosion by price inflation since 1984, real funding has declined by 49 percent. The Administration's Wagner-Peyser Act employment services budget proposal of $703 million falls $678 million short of the level of funding for these grants in 1984, after adjusting for inflation. States have supplemented employment services by adding a 25 percent state-financed supplement to Wagner-Peyser Act programs.

Investing in employment services improves the efficiency of the labor market, which benefits employers, workers, federal and state government program budgets, and our economy as a whole. State workforce agencies, with Wagner-Peyser Act grants and support from private employers, have the means to implement reemployment services, such as the advanced web-based public-private JobCentral National Labor Exchange, individual state job banks, rapid response to unpredictable worker dislocations, reemployment of unemployment insurance claimants, and labor market information.

Employer Role
The Wagner-Peyser Act funds the labor exchange system in all states, allowing matching of job seekers to employers' openings, and providing a large database of potential job applicants for employers. Although states typically assign Wagner-Peyser funded staff to perform business services; many states have also created business services units. Whether through individual staff or coordinated through units, enhanced, and often customized, services are provided to business customers that go beyond the traditional labor exchange. Many states provide basic human resource management services and information to their employer customers; this is an important resource especially to small businesses without human resource staff. Wagner-Peyser funded business consultants are available in many local one-stop career centers to provide these enhanced services, which include such things as performing job analysis, developing job descriptions and effective hiring procedures, assisting with development of employee handbooks and providing information on labor market trends, labor and human rights laws.

Workload
The demand for One-Stop Career Center on-line workforce information services, as well as staff-assisted services, has risen sharply across the country since the beginning of the recession and is expected to remain high for some period as the economy recovers. For the 12-month period ending September 30, 2009, Employment Services served 21 million American workers, far exceeding any other employment and training program. For a similar period in 2008, the program served over 15 million persons.

The FY 2011 workload summary underestimates the workload experienced by State Workforce Agencies. The Workload Summary table below projects participant use at only 17.5 million individuals in FY 2011 and the Administration, in their budget justification, acknowledges the projected workload reflects activity at regular formula funded levels and does not account for workload funded by the additional funding ($150 million) from the Recovery Act. NASWA suggests the workload estimates should take into account both formula and Recovery Act funds and reflects, to the extent possible, the number of participants reported elsewhere by the Employment and Training Administration.

Results Under the Recovery Act
For FY 2011, the Administration's budget suggests these formula grants should focus on (1) increasing the capacity of front line staff to provide more career counseling, assessment tools and labor market information;

(2) promoting knowledge sharing through an interactive "community of practice,"(3) assisting states to effectively utilize technology to manage their job matching systems and more effectively connect their unemployment insurance systems; (4) supporting improved access to labor market and career information in real time; and (5) supporting targeted service delivery to small business. NASWA applauds the Department for establishing these goals and is eager to work with USDOL.

Under the Recovery Act, NASWA surveys show that states are making great progress in achieving these goals. Front-line capacity has been increased to serve millions of additional workers seeking assistance in the One-Stop Career Centers with career counseling and other services. In addition, states have been using their Labor Market Information (LMI) to help job seekers and have used technology more effectively through the integration of the Employment Services and unemployment insurance information technology to better serve UI claimants.

REEMPLOYMENT SERVICE GRANTS (RES)

NASWA is requesting $500 million for Reemployment Service Grants (RES). While $250 million was made available in the Recovery Act, additional funding was not provided in the Administration's FY 2011 budget.

RES funding provides job search and other employment-related assistance services to unemployment insurance claimants. As was the case with prior RES grants in Program Year 2001 through Program Year 2005, these funds are to be used to provide reemployment services to UI claimants through the One-Stop Career Centers, in addition to the regular Wagner-Peyser Act employment services, in order to accelerate their return to work.

Results Under the Recovery Act

As of December, 2009, almost 3.3 million workers were receiving services under RES grants. Of this number 24 percent were receiving career guidance; 66 percent were receiving job search assistance and 30 percent were referred to WIA services. Most states have hired temporary staff to assist UI claimants with services such as job search workshops, resume assistance, and labor market information, but these temporary hires might not be able to work beyond September 30, 2010, after which RES funds may not be obligated under the Recovery Act.

Under the Recovery Act, RES funds are available for obligation through September 30, 2010 and all funds must be expended by June 30, 2011. However, the Wagner Peyser Act does not permit staff salaries to be obligated into the future, thus the temporary staff hires will no longer be available as of September 30 -- a mere 7 months from now. This is an unfortunate quirk in the law as millions of UI claimants will no longer have access to these services to assist them with their job search efforts.

NASWA data indicates states will have their funds obligated by September 30, 2010 and expended by June 30, 2011. As of February 28th, the obligation rate of these funds, at approximately 50 percent, reflects a slower rate than some Recovery Act workforce spending because staff salaries must be obligated per pay period, which usually doesn't extend beyond two weeks.

In addition to temporary staff hires, a number of states have invested in new assessment tools, technological changes and updates that would improve their capacity to serve large numbers of UI claimants and other services. States report using these funds to purchase training, data and assessment software, as well as tangible job search materials such as handbooks and DVD's. In addition to these relatively small, temporary investments reported, some states report making significant investments to upgrade or update their state's electronic labor exchange; these investments require states to obligate a high percentage of their RES funds but help to ensure states make long-term investments to improve their UI-ES connection.

In addition, a number of states have reported using funds from other areas to supplement their RES resources. For example, the Recovery Act provided for a special $500 million transfer to states from the

Employment Security Administration Account of the federal unemployment trust fund for FY 2009. These funds may also be used for staff-assisted reemployment services to UI claimants for administration of incentive provisions and outreach to individuals who may be eligible for UI benefits.

Reemployment Services is a Cost Savings for UI Trust Funds

Providing reemployment funds to help states deploy reemployment initiatives to the nation's unemployed, especially those collecting unemployment insurance (UI), should be a high priority for Congress and USDOL. An investment of $500 million for reemployment service grants would assist 1.4 million unemployment insurance claimants get back to work. These grants provide job search tools, early intervention services, career guidance, job referrals, and training for UI claimants who currently do not receive these services. Because the average weekly benefit of unemployment compensation is approximately $300, investing $500 million in reemployment services alone could save the UI system about $840 million in benefit outlays by decreasing the duration of these UI claimants by about two weeks.

The implicit reasoning is if $500 million is spent on reemployment services at a cost of $357 per claimant, this helps 1.4 million claimants. If their duration is reduced by two weeks, which the evidence supports, at $300 per week in benefits the system saves $840 million in UI benefit outlays (1,400,000 X 2 X 300 = 840,000,000). This is a net savings of $340 million to the trust fund.

Many studies have found that attention to reemployment needs of UI claimants' results in shorter claims duration for beneficiaries. For example:

- In Washington State, staff-assisted placement services reduced UI claimants' duration of unemployment by 7.7 weeks; (Westat 2000);

- Staff-assisted job matching reduces unemployment by 3-6 weeks, which is more than enough to pay for the low-cost services in terms of reduced UI outlays and increased earnings (Lou Jacobson, CNA Corporation, February 28, 2006); and

- The most recent report, completed in December 2006, but not released by USDOL until 2008, concluded that a Wisconsin demonstration project succeeded in increasing the collaboration between the state's UI and Job Service agencies through both its data sharing component and its implementation of expanded reemployment services for unemployment insurance claimants. The Wisconsin RES study concluded that RES had the effect of reducing claimants' duration on UI by 0.6-0.9 weeks.

WIA ADULT PROGRAM

USDOL's FY 2011 budget for the WIA Adult program has proposed $906.8 million, $43.3 million above the FY 2010 level of 861.5 million. However, the increase of $43.3 million will go to the *Workforce Innovation Fund* while formula grants to states would be funded at the FY 2010 level. The Recovery Act provided $500 million more for this program.

For the 12-month period ending September 30, 2009, the WIA Adult program served 5.7 million participants compared to 2.8 million participants over a similar period in 2008. A steady increase over the last several quarters reflects the amplified demand for services as well as the effect of the new Recovery Act funds, which have boosted the program's ability to provide services. These numbers will increase over the next 12 months and as the Recovery Act funds diminish, states will be hard-pressed to deliver similar services in the next year.

Workload

The Workload Summary table taken from the Administration's *FY 2011 appropriations justification*, shows the Administration is projecting that 5.443 million participants to receive WIA Adult Services. With the likelihood that unemployment will hold steady and considering the program's participation rate is up significantly over the four quarters ending September 30, 2009, the Administration's workload projection appears low and leaves states with the prospect of insufficient resources in the face of large demand for services.

Results Under the Recovery Act

Under the Recovery Act, every state has encouraged or required local areas to increase investments in WIA funded training through incentive programs, policies or other state efforts. Overall, as of December 31, 2009 almost all states expect to enroll a greater percent of customers in training through their WIA programs, compared to December 31, 2008. Since passage of the Recovery Act states have made a substantial effort to increase the number and proportion of customers receiving training. Some 72 percent of states reported an increase greater than 10 percent in the number of customers enrolled in training through the WIA Adult program and some 85 percent of states expect that the number of WIA Adult customers enrolled in training to reach a peak before the end of the second quarter, June 30, 2010. In addition, the majority of the states said that they had run out of funds and had waiting lists, while several other states said they expected to run out before the end of the program year, June 30, 2010.

Recommendation

While NASWA appreciates the intent of the Workforce Innovation Fund, in which the Departments of Labor and Education will award grants to encourage states and localities to work across program silos – the Committee should consider using these funds for the formula program, given the program is under severe stress and many states are likely to exhaust funds. In addition, many states have been working across "program silos" for many years and do not need the federal encouragement to do what made sense to them many years ago when they began working with economic developers and educators. States have been innovating for some time. Rather than funding further innovations, a greater effort should be made to support sharing and spreading state innovations made in some states already.

WIA DISLOCATED WORKERS

The Administration's FY 2011 budget requests a total of $1.475 billion for Dislocated Workers of which $1.184 billion would be dedicated to the formula program, $229 million to the National Reserve and $62 million for the Workforce Innovation Fund. Formula funding and the National Reserve are unchanged from last year's levels.

For the 12-month period ending September 30, 2009, the WIA Dislocated Worker program served approximately 782,291 participants. This compares to 501,286 participants for the same period a year earlier. Given the number of participants receiving services, it will be very difficult for states to provide adequate services once the Recovery Act funds are spent. The Administration's projection of 647,106 participants in the Dislocated Worker program for FY 2011 appear low given the latest data from the Employment and Training Administration indicates the program served 782,291 customers in FY 2009.

A NASWA survey shows some states have reported running out or running very low on Dislocated Worker program funds. Wisconsin, for example, has obligated its formula and Recovery Act funds for Dislocated Worker programs received from their FY 2010 allocation. They have applied for a statewide National Emergency Grant and will be applying for additional emergency grants, including a formula replenishment grant, in order to continue to provide services to existing participants in the next program year. USDOL has not yet approved funding and Wisconsin reported it may be forced to freeze enrollment at existing levels unless additional funds are received.

Results Under the Recovery Act

NASWA's survey shows that almost 80 percent of states report a substantial increase in the number of customers enrolled in training through the WIA Dislocated Worker program. In addition, almost 90 percent of states expect the number of WIA-Dislocated Worker customers enrolled in training to reach a peak before the end of the second quarter of calendar year 2010. Some states report they expect the economy to improve by then, but for others it reflects funding constraints as ARRA investments recede.

National Emergency Grants
Several states have expressed concern with the NEG guidance provided in (TEGL 19-08) to access additional resources through a formula fund replenishment NEG. To be eligible for this type of NEG, an applicant must have disbursed 95 percent of both their regular Program Year and Recovery Act Dislocated Worker formula funds. Concerns have arisen that the 95 percent requirement does not take into account funds to cover the costs of operating their system including staff, facilities, and other operating expenses. States report it is difficult for a local area to reach the required level of disbursement because it would be on the local area would not be able to cover their regular operating costs.

New York State, for example, has exhausted their training resources and established waiting lists for individuals seeking training assistance. However, these areas, according to New York, would not qualify for NEG resources because they must also budget the remainder of their allocated funds to cover the operating costs of their local system so that they can continue to provide needed services throughout the remainder of the year. This prevents them from being able to demonstrate the required 95 percent disbursement rate even though a documented need exists.

Recommendation
While NASWA appreciates the intent of the Workforce Innovation Fund, in which the Departments of Labor and Education will award grants to encourage states and localities to work across program silos – the Committee should consider using these funds for the formula program, given the program is under heavy demand and more states are likely to exhaust funds.

WIA YOUTH PROGRAM

The Administration's FY 2011 budget requests $1.025 billion for the WIA Youth program. However, when compared to FY 2010, Youth formula grants to states would decrease by approximately $52.8 million because fifteen percent ($153,750,000) of the total amount proposed for FY 2011 would be reserved for the Youth Innovation Fund. The Recovery Act provided an additional $1.2 billion in funds for Workforce Investment Act Youth Program activities, with an emphasis on summer employment.

According to the Employment and Training Administration, the summer youth program served 347,782 as of September 30, 2009. Congress and USDOL specifically intended the Recovery Act funds for WIA Youth to operate summer youth employment programs during the summer of 2009. Although the timeframe was short, and many states and local areas had not recently operated summer youth programs, the system moved aggressively and offered summer work to thousands of young persons.

Recommendation
The Administration's budget would eliminate the opportunity for a subsequent summer youth program in 2010. Consideration should be given to allocating the Youth Innovation Funds toward formula funds to states specifically for a stand-alone summer youth program.

UNEMPLOYMENT INSURANCE (UI) PROGRAM

For FY 2010, NASWA requests an additional $500 million above the Administration's level of $3.5 billion for state unemployment insurance to upgrade and modernize state computer systems.

The UI program is an entry point to the nation's one-stop career center systems for workers who lose their jobs. For many workers, this may be their first interaction with the publicly-funded workforce system. It should provide timely income support, while promoting the integrity of the program and emphasizing reemployment of UI claimants. Unemployment insurance administration, in addition to Wagner-Peyser employment services, Reemployment Service Grants (RES) for UI claimants, and Reemployment Eligibility Assessments (REA), should be fully funded for the UI program to operate more efficiently.

While NASWA is pleased the President's budget includes $55 million for REAs, the lack of additional funding for Reemployment Service Grants for UI claimants does not achieve a balanced approach between ensuring job search efforts by claimants and providing reemployment services to claimants. Such a balanced approach has proven to be a good investment for society, government, employers and workers alike.

Additional Funding to Modernize State Information Technology

Administering unemployment benefits, which occurs at the state level, involves a number of efforts. For example, states are responsible for: (1) processing benefit payments for both state and federal claims; (2) preventing overpayments and fraud; (3) answering thousands of questions they receive from UI beneficiaries and employer taxpayers; and (4) resolving disputes between UI claimants and employers in the claims adjudication process. These are time consuming tasks made harder by a record number of claimants during the recession seeking UI and the aging computer infrastructure in states.

Because of chronic federal underfunding of the UI system, State Workforce Agencies operate UI computer systems based on outmoded and less flexible technologies than are available today. The average age of state UI computer systems is 23 years. These antiquated systems result in inefficiencies and poor system performance. NASWA is requesting $500 million to help states modernize their UI computer systems to improve efficiency and performance.

Core IT Systems Exhaust Funding and Staffing Resources

State agencies often spend vast administrative funds and staffing resources to improve or modify their aging information technology (IT) systems. To incorporate automated claims filing technologies, such as the Internet or Interactive Voice Response systems, or to accommodate state or federal law changes, most state workforce agencies must make piece-meal alterations to their IT systems. These modifications result in a convoluted lattice-work of system "band-aids" that are difficult to navigate and nearly impossible to improve. A deterioration in the quality and accuracy of the documentation behind programming modifications coupled with increasingly inadequate UI system information has led to a degradation of the UI computer systems in most states.

State IT staff members operating these archaic systems are expected to support legacy and modernized technologies simultaneously, which requires staff with more extensive and expensive skill sets. Further compounding the plight of the states are IT retirement trends, particularly of those key staff who understand state UI systems intimately. Before the enactment of the Recovery Act, a majority of states rehired retired IT staff to make the necessary alterations to core UI systems in order to comply with complex changes in federal unemployment insurance benefit programs.

Increased Workload Results in Poor Performance

The enormous influx in workload brought on by the recession, coupled with outdated IT systems in most state UI agencies, has led to a decrease in every area of UI program performance. In the four quarters ending on September 30, 2009, the number of new initial UI claims totaled 20,638,508, an increase of over 7 million from the 13,386,029 initial claims reported during the same period one year earlier.

In the four quarters ending on September 30, 2009, the percent of intrastate payments made on time fell by about four percentage points, from 87 to 83 percent from the same period one year earlier. The detection of recoverable overpayments rate in states fell by more than three percentage points, from 56 to 53 percent in the four quarters ending on September 30, 2009 from the same period one year earlier. The entered employment rate declined by six percentage points, from 63 to 57 percent in the four quarters ending on September 30, 2009 from the same period one year earlier. Finally, the percent of employer tax liability determinations made timely fell by one percentage point, from 85 to 84 percent in the four quarters ending on September 30, 2009 from the same period one year earlier.

Solution to Problems: Modernize IT Systems

State UI agencies that have modernized their core IT systems and re-engineered their associated processes have generally seen a reduction in the amount of staffing resources needed to deliver UI services, improved performance measures in such areas as customer wait times, overpayment prevention and detection, and other quality and timeliness attributes. There are 8 states with modernized benefits applications, 4 states with modernized tax applications, and only one state with both its benefits and tax applications modernized.

Benefits of Modernized Systems

States with modernized IT systems are generally able to implement system modifications much more easily than states with systems that use old and restrictive technologies. In addition to system alterations necessary to comply with state or federal law changes, states with modernized IT systems are able to incorporate productivity-enhancing technologies such as content and case management, customer account management, automated scheduling and assignment of tasks with far greater ease than states with older core systems.

Modernized state IT systems also generally offer more robust online self-service customer account information, which reduces telephone calls to state UI call centers and thereby decreases the amount of staffing resource devoted to claims activities. These automated services also have resulted in reduced customer wait times as claimants can contact the state UI agencies through a greater number of media. Finally, the ease with which modernized systems can incorporate new technologies has led to decreased overpayments with the introduction of software to promote UI integrity.

IT Modernization Can Be Costly and Problematic

While states with modernized IT systems realize many favorable results, modernization projects are substantial undertakings, and many modernization projects are more costly than originally projected or, take more time to complete than scheduled; while some projects fail altogether. It is estimated that the cost of modernizing tax and benefit systems in an individual state would be approximately $50 million. If this estimate is correct, the cost of modernizing all state program tax and benefit systems would range between $2.5 billion and $3 billion. In addition to the cost, large software development projects are not the type of undertaking that state UI agencies see as their core competency. Modernization projects demand a significant amount of agency staff involvement and expertise, thus forcing states to divert dwindling and vital staffing resources away from the delivery of UI services to customers.

A Better Way to Modernize

States have expressed the need for a different paradigm to modernize their IT systems apart from individualized state action. At the forefront of modernization methodologies is the consortium model, in which groups of states can efficiently pool their resources and share their successes; state consortium models have been hailed as a plausible and beneficial concept.

The Consortium concept promotes the idea of developing a single, common system that can be modified to state-specific configuration settings. In this way, only a fraction of the funding investment is needed, and a much greater stewardship of UI administrative resources can be achieved.

Consortium Language

NASWA appreciates the inclusion of new language in the Fiscal Year 2009 Omnibus Appropriations Act allowing the Secretary of Labor, at the request of a state participating in a consortium, to make it easier for states to form consortia and share costs on projects related to unemployment insurance (UI) programs. This language is in the Administration's budget and NASWA is hopeful Congress will include it in its appropriations language every year.

The language enabled USDOL to fund two UI IT Modernization consortium-based feasibility studies through supplemental budget requests. The first consortium includes Arizona, Wyoming, Idaho and North Dakota; the second consortium includes North Carolina, South Carolina, Georgia and Tennessee. These two-year initiatives are aimed at developing the requirements for a common UI IT system and to determine the feasibility of building the system. NASWA's request for additional UI administrative funding will allow for the expansion and implementation of the results of these two consortium initiatives.

UI Financial Integrity and an Example of a Successful State Consortium

Payment errors due to nonmonetary disqualifications related to job separation issues make up a substantial source of unemployment insurance overpayments. In FY 2009, UI overpayments are estimated to have totaled $11.4 billion dollars.

An example of a successful consortium project is the UI State Information Data Exchange project (SIDES). A consortium of six states, Colorado, Georgia, New Jersey, Ohio, Utah and Wisconsin, is working to reduce overpayments through improved technology. The states through USDOL funding created SIDES. Initially this system is being used to transmit UI separation information (requests and replies) over the internet between UI agencies and different size employers. Separation requests to large and multi state employers or third party administrators (TPAs) are transmitted from the state through the SIDES central broker as a batch web service to the participating employers. Employers in turn respond to these separation requests over the Internet through the SIDES central broker back to the states. In addition a SIDES Employer Website was created to handle much smaller numbers of separation requests and responses primarily dealing with small employers. States transmit the separation requests to the SIDES Employer Website and employers go online to this website, enter identification credentials and respond individually to these requests. Eleven additional states recently received funding from USDOL to participate in SIDES and will be joining the consortium over the next two years.

It is also envisioned other types of transactions such as Wage Verification between states and employers will be added to SIDES to reduce other areas of Unemployment Insurance improper payments. When fully operational, this system will improve UI timeliness, provide significant cost savings to states, dramatically improve the accuracy of information, and reduce improper benefit payments and appeals reversals.

COOPERATIVE STATISTICS PROGRAM – BUREAU OF LABOR STATISTICS (BLS)

The FY 2011 budget would reduce funding for state grants under the Current Employment Statistics (CES) program from $19 million to $7 million. Under the CES program, states collect and analyze data by state and metropolitan areas on employment, hours worked, and earnings from the payroll records of employers. The Administration's budget proposes to centralize the production of monthly state and metropolitan area estimates in BLS, while States would continue data analysis and dissemination and report to BLS on significant events not captured by the BLS sample.

NASWA questions these reductions in state grants because: (1) states will lose resources they use to provide information and analysis to policymakers, businesses, and workers; (2) monthly estimates in many states might be worse under a centralized approach; and (3) the centralization could lessen the credibility of the estimates by creating the impression among many stakeholders they are produced with a "black box."

BLS has not proven it can produce "similar and even better" monthly CES estimates in states with its centralized methods. It says its research shows the centralized estimates are at least as good as the current estimates, but then it qualifies its statements with modifiers such as "in the longrun" or BLS still will pay attention to states when states point to significant labor market events that the BLS survey did not capture. BLS tried to centralize the Annual Refile Survey in the 1990s, promising it could do it better and cheaper. Within one year it realized it could not and over time worked to reconstitute the Survey with the states. BLS might be able to produce monthly CES estimates cheaper than the current method, but it is unclear the estimates will be better or even as good.

VETERANS EMPLOYMENT AND TRAINING SERVICE

NASWA supports the USDOL fiscal year 2011 budget request for VETS programs including $165 million for state grants to support the state administration of the Disabled Veterans Outreach Program (DVOP) and

Local Veterans Employment Representative (LVER) Program; $8 million for the Transition Assistance Program (TAP); $41 million for the Homeless Veterans Reintegration Program (HVRP); $9.6 million for the Veterans Workforce Investment Program (VWIP) and $2.4 million for the National Veterans Employment and Training Service Institute (NVETSI)

Recommendation

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 Employments 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.

Conclusion

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