

**STATEMENT OF
EMILY STOVER DEROCCO
ASSISTANT SECRETARY
EMPLOYMENT AND TRAINING ADMINISTRATION
U.S. DEPARTMENT OF LABOR**

BEFORE THE

**SUBCOMMITTEE ON LABOR, HEALTH AND HUMAN SERVICES,
EDUCATION AND RELATED AGENCIES
COMMITTEE ON APPROPRIATIONS
U.S. HOUSE OF REPRESENTATIVES**

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Mr. Chairman and Members of the Subcommittee:

I am pleased to have the opportunity to testify on the Fiscal Year 2008 Budget request for Department of Labor programs administered by the Employment and Training Administration (ETA).

The overall FY 2008 Budget request for ETA is \$9.3 billion, of which \$8.3 billion is the discretionary request. The budget request and initiatives proposed in the budget are designed to support and advance the competitiveness of our nation's labor force.

The United States now competes in a global economy that is far different from the international markets of the past. The innovation and inventiveness of American workers and businesses have long been the driving force of our nation's competitive advantage in the global economy. However, the same technologies that make possible the rapid distribution of American products and ideas have also opened our markets to competition from abroad, including competition from recently formed free market economies.

The needs of the 21st century labor market are radically different from what we have known in the past, and for what most American workers are currently trained. Crosscutting technologies such as biotechnology and geospatial technology are requiring many industries to find workers with science and math skills at a level currently lacking in much of America's youth and adult population. Traditional industries, such as manufacturing and retail, have also undergone transformation and now require an understanding of computer operation, robotics, and supply chain management.

The fastest growing jobs of the future will need to be filled by "knowledge workers" who possess specialized skills and training. American workers will need higher levels of education and skills than at any time in our history, as evidenced by the fact that almost 90 percent of new jobs in high-growth, high-wage occupations are expected to be filled by workers with at least some post-secondary education. Furthermore, employment opportunities and earnings are known to increase significantly with higher levels of education. For example, the unemployment rate was 6.8 percent for high school dropouts in 2006, versus 3 percent for individuals with an associate's degree, and only 2 percent for those who have earned a bachelor's degree or higher. Similarly, earnings of workers also increase with education level.

As our nation's economy and businesses transform to meet the challenges of the global economy, so too must the government systems and structures that support our economic growth and job creation. The current workforce investment system was built by adding together a variety of siloed Federal employment and training programs designed throughout the 20th century. As a result, the system suffers from heavy infrastructure and a lack of integration. Under the current structure, too much money is spent on competing bureaucracies and overhead

costs and not enough is dedicated to education and training that leads to employment and advancement opportunities for workers and economic prosperity for businesses.

The Administration seeks to address these deficiencies through the establishment of Career Advancement Accounts (CAAs) and other reforms to the workforce investment system. CAAs, first proposed in the FY 2007 Budget as a part of the President's American Competitiveness Initiative, are self-directed accounts of up to \$3,000 per year, renewable for a second year, which will enable current and future workers to pay for the education and training needed to successfully enter, navigate, and advance in 21st century jobs. The proposal would consolidate the Adult, Dislocated Worker, and Youth formula grant programs under the Workforce Investment Act, and the Employment Service program under the Wagner-Peyser Act into a single funding stream for states and local areas to provide tuition assistance and related education and training costs, as well as employment services for job seekers and employers.

The CAA proposal includes a number of other reforms designed to move the workforce investment system in a direction that better supports and enhances our nation's competitiveness. In addition to implementing CAAs, the Administration's proposal would take additional steps to increase access to education and training opportunities for American workers, such as by requiring that the majority of WIA funding be used for education and training, simplifying complex "sequence of services" requirements, and addressing provisions in current law that have deterred many education and training providers from participating in WIA. In addition, the proposal will strengthen One-Stop Career Centers, create more effective governance arrangements by streamlining workforce investment board member requirements, provide greater flexibility to states and local areas, and streamline performance accountability. Finally, in order to inform future reauthorization and reform efforts and drive improvements in the system, the

proposal will include language requiring regular, rigorous evaluations of major workforce investment programs. Our budget requests \$3.4 billion for the CAA proposal.

By removing bureaucratic restrictions that can prevent workers from being trained, increasing the flexibility of state and local officials to shift funding to where it is most needed, and requiring the majority of dollars in the system to be spent on training, more individuals will participate in training and attain new and higher-level job skills. In fact, the CAA proposal will dramatically increase the number of workers trained compared to the current system, and help America's workers increase their skills and secure jobs in the 21st century economy.

The CAA proposal builds on our continued commitment to champion the transformation of the public workforce investment system to a demand-driven system through the President's High Growth Job Training Initiative, Community-Based Job Training Grants, and the Workforce Innovation in Regional Economic Development (WIRED) Initiative. ETA's FY 2008 Budget will continue to support these important initiatives through both direct appropriations and an estimated \$125 million in fee revenue from the H-1B visa program.

Over the past four years, the Department of Labor has been implementing the President's High Growth Job Training Initiative. This initiative is the cornerstone of the Department's efforts to create a workforce investment system that enhances the skills of America's workers in response to the needs of employers. Through the High Growth Job Training Initiative, ETA has invested over \$284,000,000 in 149 partnerships among employers, education programs, and the workforce system. Each project targets the skill and talent needs of high-growth, high-demand and transformational industries in our nation's economy and provides the resources necessary to train workers in the skills demanded by the 21st century economy.

Our work under the High Growth Job Training Initiative revealed a critical shortcoming in the workforce development capacity of many regions: many communities are not positioned to meet the training demands of our high growth industries because of limited training capacity and outdated curricula and training delivery systems. To address this need for expanded affordable, flexible education and training capacity in local communities across the country, President Bush established the Community College Initiative. The initiative provides Community-Based Job Training Grants to help communities better train workers for jobs in high growth sectors by utilizing the flexibility and expertise of America's community colleges. Due to their close connection to local labor markets, community colleges are well positioned to understand the intricacies of local economies and better prepare workers for high-demand occupations. In October 2005, ETA awarded \$125 million in grants to 70 community colleges in 40 states and, in December 2006, awarded another \$125 million in a second round of grants to 72 entities in 34 states. The FY 2007 Continuing Resolution provided funding for a third year of grants, and the FY 2008 Budget requests \$150 million for a fourth year of grants under the initiative.

A related initiative, Workforce Innovation in Regional Economic Development or WIRED, is also answering the call for competitiveness by fostering innovation through regional, integrated workforce and economic development. Through WIRED, we intend to promote the creation of high-skill and high-wage opportunities for American workers within the context of regional economies. Through the initiative, collaborative partnerships among workforce development, economic development, education, and other key regional organizations are implementing strategies to provide job training and related activities designed to support overall economic growth. Thirteen regions across the country, the First Generation of WIRED, were selected through a competitive process in February 2006 and awarded WIRED grants. The

initiative was expanded in April 2006 when an additional 13 regions, selected through the same competitive process, were chosen to participate in the WIRED Initiative as “Virtual” regions. ETA has now asked these Virtual regions to become the Second Generation of WIRED and they will be receiving grant awards. Through WIRED, ETA is providing the expert assistance and financial resources needed for regions to make the leap to an innovation economy. Secretary Chao recently announced a competition for the Third Generation of WIRED regions, which remains open through April 13, 2007, with awards to follow. ETA has begun a rigorous evaluation of the WIRED Initiative and will use the findings to help shape future investments.

In addition to the fundamental changes being proposed through the American Competitiveness Initiative and the continuation of important initiatives that support the transformation of the workforce investment system, ETA proposes a series of restructuring and reform proposals to increase the efficiency and performance of ETA programs. These include an Unemployment Insurance (UI) Integrity proposal, a proposal to improve Foreign Labor Certification processing, and a proposal to transfer the Job Corps program back to ETA.

The FY 2008 request for UI state administration and national activities is \$2.56 billion. The FY 2008 Budget continues the Administration’s efforts to ensure the financial integrity of the UI system and help unemployed workers return to work promptly. Our three-pronged approach includes a package of legislative changes that would prevent, identify, and collect UI benefit overpayments and delinquent employer taxes. We estimate that these legislative proposals would reduce overpayments and increase recoveries and certain delinquent tax collections by a total of \$2.3 billion over five years. Second, we propose a discretionary funding increase of \$40 million to expand Re-employment and Eligibility Assessments, which review UI beneficiaries’ need for reemployment services and their continuing eligibility for benefits

through in-person interviews in One-Stop Career Centers. This initiative already has yielded quicker returns to work for UI beneficiaries. We estimate that annual benefit savings of \$205 million could result from this investment. Third, we propose legislation to permit waivers of certain Federal requirements to allow states to experiment with innovative projects aimed at improving administration of the UI program, and speeding the reemployment of UI beneficiaries.

The timely processing of Foreign Labor Certifications under both temporary and permanent immigration programs remains a priority for ETA. The Permanent Foreign Labor Certification, or PERM program, continues to experience improved efficiencies in the processing of applications. The FY 2008 Budget proposes legislation to authorize a cost-based user fee on new applications for the PERM program. This will enable the program to efficiently manage its workload with a predictable funding source. It is essential to prevent the re-emergence of backlogs in the new PERM program, and funding provided through a cost-based fee structure will help ETA avoid the long processing delays that existed in the PERM program prior to the implementation of our comprehensive reforms.

The FY 2008 Budget includes \$1.5 billion to operate the nationwide network of 122 Job Corps centers. In the FY 2006 Appropriations Act, the Congress directed the Department to transfer the Job Corps program out of ETA into the Office of the Secretary. The 2008 Budget proposes to return the program to ETA, where it had been administered for four decades, to ensure close coordination with the other job training and employment programs administered by ETA.

In 2006, Congress passed legislation to transfer the YouthBuild program from the Department of Housing and Urban Development to the Department of Labor, as recommended by the White House Task Force on Disadvantaged Youth. The FY 2008 Budget includes \$50

million for YouthBuild to provide competitive grants to local organizations for the education and training of disadvantaged youth age 16-24. Under these grants, youth will participate in classroom training as well as learn construction skills by helping to build affordable housing.

The FY 2008 Budget requests \$39.6 million for a program that combines the funding and resources of the President's Prisoner Re-entry Initiative and the Responsible Reintegration of Young Offenders program. This new, consolidated program would adopt the practices of each effort that has shown great promise in boosting employment and reducing recidivism among ex-offenders.

The FY 2008 Budget requests \$350 million for the Senior Community Service Employment Program (SCSEP). The Department is pleased that the recently reauthorized Older Americans Act includes many of the Administration's reform proposals to streamline SCSEP and increase the number of persons who may enjoy the benefits of unsubsidized employment. The Department expects that legislative reforms will improve program efficiency and reduce costs compared to the previous program design. We are optimistic that the important reforms included in SCSEP reauthorization— including the elimination of inappropriate fringe benefits, caps on duration of program participation, additional flexibility to provide training, and increased emphasis on placement in unsubsidized employment – will allow SCSEP to use funds more efficiently and serve more participants per appropriated dollar, and allow them to achieve greater economic self-sufficiency than ever before.

The Budget requests \$888.7 million for the Trade Adjustment Assistance (TAA) program and the Alternative Trade Adjustment Assistance (ATAA) program for older workers. The authorization for the TAA program expires September 30, 2007. The FY 2008 Budget proposes

to improve the Trade Act's programs for trade-displaced workers and extend the authorization for five years.

Finally, ETA requests \$216,162,000 for Program Administration. This will support 1,196 FTE, not including the 120 FTE associated with the PERM fee legislative proposal

In conclusion, Mr. Chairman, we believe our budget request is responsible and fiscally prudent. It supports America's competitiveness and also fully supports our shared goal of helping more Americans gain the skills to find good jobs in the 21st century economy. Thank you for the opportunity to testify on ETA's FY 2008 Budget request. I would be pleased to address any questions you may have regarding the FY 2008 Budget request for our agency.