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Labor and Workforce Development Programs: Overview of the American Recovery and Reinvestment Act

LEGISLATIVE ANALYST'S OFFICE

Presented to:

Senate Committee on Labor and Industrial Relations

Hon. Mark DeSaulnier, Chair

Assembly Committee on Labor and Employment

Hon. Bill Monning, Chair





Workforce Investment Act (WIA)— Background

- Originally passed by Congress in 1998.
- Gives states and local governments the primary responsibility to consolidate; coordinate; and improve employment, training, literacy, and vocational rehabilitation programs.
- The WIA funds are targeted to three categories of workers: adult, youth, and dislocated workers.
- Workforce investment programs and services are generally delivered through the One-Stop Career Center service delivery structure.
- The California Workforce Investment Board assists the Governor in designing a statewide plan and establishing program policies. The Legislature has membership on this board.
- Local Workforce Investment Boards (LWIBs) are responsible for administering WIA services in 49 Local Workforce Investment Areas (LWIAs).



WIA Funding Formulas and Trends

- Set Formulas.** The WIA prescribes a formula for allocating adult, youth, and dislocated worker funds to states.

 - Amount the state receives depends on (1) the total amount of WIA funds available nationally, and (2) the state's economic and demographic statistics as a relative share of those statistics for all states.
 - The WIA funds for California have declined over the years, from \$630 million in 2000-01 to an estimated \$427 million in 2009-10.

- State/Local Allocations.** The LWIAs receive about 85 percent of the state's WIA allocation, while the remaining 15 percent of WIA funds are available for state discretionary purposes. The estimated formula allocation to LWIAs for 2009-10 is \$363 million, while the estimated amount of state discretionary funds is \$64 million.

- State Discretionary Funds.** Can be used for administration, statewide initiatives, and competitive grants for employment and training programs.

 - The WIA discretionary fund expenditures depend on gubernatorial and legislative priorities.
 - Recently, the Legislature has reprioritized a portion of WIA discretionary funds to achieve budget solutions by offsetting General Fund costs for employment and training programs in other state departments.



Additional WIA Funds through the American Recovery and Reinvestment Act (ARRA)

- ☑ **Base Increase.** The ARRA provides an estimated \$489 million in additional WIA funds for California, of which, an estimated \$73 million will be available for state discretionary purposes.

| Additional WIA Funds for California | |
|--|----------------------|
| <i>(In Millions)</i> | |
| Category | Estimated Allocation |
| Adult | \$80 |
| Youth | 187 |
| Dislocated workers | 222 |
| Total | \$489 |
| Local allocation | \$416 |
| State discretionary funds | \$73 |

- ☑ **Use WIA Funds for General Fund Relief.** Given the state’s fiscal condition, we recommend the Legislature direct the additional \$73 million in discretionary funds to offset employment and training program General Fund costs in either the California Department of Corrections and Rehabilitation or the California Conservation Corps.
- ☑ **Discretionary Grants.** The ARRA provides additional WIA discretionary grants for which the state, LWIBs, and other providers and agencies may apply.
 - \$200 million available nationally for additional dislocated worker assistance.
 - \$50 million available nationally for YouthBuild activities, specifically targeting individuals who have dropped out of high school and reenrolled in an alternative school.
 - \$750 million available nationally for competitive grants for worker training and placement in high-growth and emerging sectors, including \$500 million targeted for preparing workers for careers in energy efficiency and renewable energy.



Wagner-Peyser Act (WPA) Funds

- ☑ **Background.** Established in 1933, the WPA established the Employment Services program, which provides a variety of employment-related labor exchange services through the One-Stop Career Center service delivery structure. The state currently receives about \$80 million in WPA funds.

- ☑ **Services.** Employment Services include job search assistance, job referral, placement assistance for job seekers, reemployment services to unemployment insurance (UI) claimants, and recruitment services to employers with job openings.

- ☑ **Additional WPA Funds Available Through ARRA.** The ARRA provides an additional \$47 million in WPA funds for state employment services.
 - The ARRA specifies that a portion of these new WPA funds—about \$29 million—be used to provide reemployment services to UI claimants.



Trade Adjustment Assistance (TAA) Funds

- ☑ **Background.** Established in 1974 under the Trade Act of 1974, TAA targets training services to workers who have lost employment as a result of increased imports. The state currently receives about \$10 million in TAA funds.
- ☑ **Training Services.** Eligible workers can receive a full range of employment services through TAA, including classroom and/or on-the-job training, job search, and relocation allowances.
- ☑ **Additional TAA Funds Available Through ARRA.** The ARRA provides additional TAA training funds through December 2010. Based on historical allocation shares, we estimate California will receive roughly \$40 million in new TAA funds.
- ☑ **Local Discretionary Grants.** The ARRA also provides additional TAA funds for grant programs to assist communities impacted by trade. Eligible communities, community colleges, and public-private partnerships may apply.



Unemployment Insurance

Major ARRA Provisions

| Unemployment Insurance (UI)—Major Fiscal Impacts | |
|--|----------------|
| <i>(Through 2011-12, in Millions)</i> | |
| Provision | Amount |
| Extended UI benefits now available through 2009 | \$3,200 |
| Temporary increase of \$25 in weekly benefits through 2009 | 1,000 |
| Incentive payment if the state implements UI eligibility changes | 844 |
| Temporary relief of state interest payments for UI federal loans | 314 |
| Additional funds for UI administration | 60 |
| Total | \$5,418 |