

To: Barry White
From: Steve Spinner
Date: August 26th
Subj: Update on Kennedy-Kassebaum Bill

In your capacity as point man for the Administration on job training consolidation issues, please find attached a copy of a second draft of Titles II-IV of the Kennedy-Kassebaum bill. As you know, Titles II-IV deal with reform of federally-funded workforce development programs. We are now drafting language on Title I (consolidation) which we hope to be able to share with you shortly.

In developing this second draft we took into account the verbal and written suggestions that we have received from you and other members of the Administration, extensive discussions we have had with Senator Kassebaum's staff, advice we have solicited from nationally-known experts, and further thinking that we have done on the subject.

We intend to submit a third and final draft of the bill to legislative counsel on Friday, Sept 9th. Accordingly, we would like to receive any written comments you wish to provide no later than Tuesday, September 6th. We also stand ready to meet with you to discuss any concerns you might have.

I will call you shortly to follow-up on this memo and to schedule a time when we can meet.

cc Paul Dimond
Leslie Loble
Ricky Takai

DISCUSSION DRAFT
August 24, 1994

103D CONGRESS
2D SESSION

S. _____

IN THE SENATE OF THE UNITED STATES

introduced the following bill; which was read twice and
referred to the Committee on _____

A BILL

To consolidate and reform Federal job training programs,
and for other purposes.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*

3 **SECTION 1. SHORT TITLE; TABLE OF CONTENTS.**

4 (a) **SHORT TITLE.**—This Act may be cited as the
5 “Job Training Consolidation and Reform Act of 1994”.

6 (b) **TABLE OF CONTENTS.**—The table of contents for
7 this Act is as follows:

Sec. 1. Short title; table of contents.

Sec. 2. Findings and purpose.

- Sec. 3. Authorization of appropriations.
Sec. 4. Definitions.

TITLE I—CONSOLIDATION

TITLE II—FEDERAL RESPONSIBILITIES

- Sec. 201. National Workforce Development Board.
Sec. 202. Federal Interagency Council.
Sec. 203. National Report Card.
Sec. 204. Mechanisms for building high quality integrated workforce development systems.
Sec. 205. Quality assurance system.
Sec. 206. Labor market information.
Sec. 207. Responsibilities of the Bureau of Labor Statistics.
Sec. 208. Annual plan.
Sec. 209. Responsibilities of governors.
Sec. 210. Allotments.
Sec. 211. Contract authority.

TITLE III—STATE RESPONSIBILITIES

- Sec. 301. State Workforce Development Councils.
Sec. 302. Membership.
Sec. 303. Chairperson.
Sec. 304. Duties and responsibilities.
Sec. 305. Administration.
Sec. 306. Establishment of unified service delivery areas.
Sec. 307. Financial and management information systems.
Sec. 308. Development of quality assurance systems and consumer reports.
Sec. 309. Capacity building grants.
Sec. 310. Performance criteria for unified service delivery areas.

TITLE IV—LOCAL RESPONSIBILITIES

- Sec. 401. Workforce development boards.
Sec. 402. Workforce development board blueprint.
Sec. 403. Report card.
Sec. 404. One-stop career centers.
Sec. 405. Progress reports.
Sec. 406. Capacity building.

TITLE V—MISCELLANEOUS PROVISIONS

1 SEC. 2. FINDINGS AND PURPOSE.

2 (a) FINDINGS.—Congress finds that—

- 3 (1) increasing international competition, techno-
4 logical advances, and structural changes in the Unit-
5 ed States economy present new challenges to private
6 firms and public policymakers in creating a skilled

1 workforce with the ability to adapt to change and
2 technological progress;

3 (2) while many private firms have taken meas-
4 ures to reengineer the operations of such firms to re-
5 spond to competitive pressures, Federal workforce
6 development policy has been slow to react to the
7 structural economic changes;

8 (3) despite more than 30 years of federally
9 funded employment and training programs, the Fed-
10 eral Government still has no coherent, integrated
11 policy guiding the workforce development efforts of
12 the United States;

13 (4) what began as a few training programs di-
14 rected at limited segments of the population with
15 particular economic or education disadvantages in
16 the labor market, has evolved into a confusing maze
17 of programs serving various educational, social, and
18 economic needs;

19 (5) despite the existence of all these training
20 programs, the real income levels of noncollege edu-
21 cated front-line workers of the United States has
22 fallen over the past 30 years;

23 (6) while it is becoming increasingly important
24 for American workers and businesses to have access
25 to a high-performance workforce development sys-

1 tem, most federally funded workforce development
2 programs are not designed to assist firms to help
3 upgrade the skills of front-line workers who are em-
4 ployed by such firms;

5 (7) according to the General Accounting Office,
6 there are currently 154 federally funded employment
7 and training programs (hereafter referred to in sec-
8 tion as the "programs");

9 (8) the programs cost more than
10 \$25,000,000,000 annually and are administered by
11 14 different Federal departments and agencies;

12 (9) most of the programs fail to collect enough
13 performance data to determine the relative effective-
14 ness of each program or of the system as a whole;

15 (10) many of the programs provide similar serv-
16 ices and serve similar targeted groups, resulting in
17 overlapping services, wasted resources, and confu-
18 sion on the part of local service providers and indi-
19 viduals seeking assistance;

20 (11) the conflicting eligibility and reporting re-
21 quirements, and annual budgeting or operating cy-
22 cles of the programs create barriers to the coordina-
23 tion of programs that may restrict access to services
24 and result in inefficient use of resources;

1 (12) many of the programs utilize separate
2 service delivery structures that operate independ-
3 ently of each other, and the additional cost of ad-
4 ministering overlapping employment and training
5 programs at the Federal, State, and local levels di-
6 verts scarce resources that could be better used to
7 assist more individuals in entering the workforce,
8 gaining basic skills, or retraining for new jobs;

9 (13) there is no single entity at the Federal,
10 State, or local level vested with the necessary au-
11 thority to strategically plan ways to transform the
12 separate training and employment programs into an
13 integrated and accountable workforce development
14 system;

15 (14) although the primary purpose of many of
16 the programs is to prepare jobseekers to be self-suf-
17 ficient and to have productive careers—

18 (A) most of the programs are driven by
19 bureaucratic requirements; and

20 (B) the businesses and workers in the pri-
21 vate sector do not currently have a meaningful
22 role in shaping policy, setting standards, or
23 overseeing the quality of most of these pro-
24 grams;

1 (15) the Federal Government lacks a com-
2 prehensive labor market information system and, as
3 a result, employment and training programs are
4 most often not related to the demand for particular
5 skills in local labor markets;

6 (16) in recent years, many States and commu-
7 nities have made progress in developing new ap-
8 proaches to better integrate Federal employment
9 and training programs;

10 (17) the Federal Government should take more
11 systematic measures to encourage experimentation
12 and flexibility, and to disseminate best practices in
13 the design and implementation of employment and
14 training programs throughout the country; and

15 (18) the Federal Government should address
16 the findings of this subsection through the imple-
17 mentation of immediate and long term improvements
18 that permit workers and potential workers of all
19 ages, the States and localities, and the private sec-
20 tor, to obtain the benefits of a high quality
21 workforce development system needed for the econ-
22 omy of today and for the 21st century.

23 (b) PURPOSE.—It is the purpose of this Act to take
24 certain immediate actions, and to establish a process for
25 bringing about longer term improvements, that are needed

1 to begin the transformation of federally funded education
2 and job training efforts from a collection of fragmented
3 programs into a coherent, integrated, accountable
4 workforce development system that is linked directly to
5 employment and training opportunities in the private sec-
6 tor as part of an overall lifelong training system that—

7 (1) is based on the needs of jobseekers, work-
8 ers, and employers;

9 (2) is accessible to any worker, jobseeker, or
10 employer;

11 (3) focuses on accountability performance and
12 accurate information;

13 (4) provides flexibility and responsibility to the
14 States, and in turn to local communities, for design
15 and implementation of workforce development sys-
16 tems;

17 (5) is based on local labor market needs;

18 (6) is used by workers and employers; and

19 (7) requires the active involvement of the pri-
20 vate sector in governance, design, and implementa-
21 tion of such system.

22 **SEC. 3. AUTHORIZATION OF APPROPRIATIONS.**

23 **[TO BE SUPPLIED]**

24 **SEC. 4. DEFINITIONS.**

25 For purposes of this Act—

1 (1) the term "development grant" is a grant
2 administered under section 204(b) and provided to
3 each State for the implementation of the labor mar-
4 ket information system, quality assurance system,
5 and management information system;

6 (2) the term "Federal Blueprint" the National
7 Workforce Development Strategic Plan issued by the
8 National Board pursuant to section 201(c)(1);

9 (3) the term "Federal Interagency Council"
10 means a Council established by the President pursu-
11 ant to section 202;

12 (4) the term "implementation grant" means a
13 grant administered under section 204(a) to States to
14 implement their integrated workforce development
15 system;

16 (5) the term "industry cluster" means **[to be**
17 **supplied]**;

18 (6) the term "integrated workforce development
19 system" and "integrated system" means the system
20 of employment, training, and employment-related
21 education programs, including the mandatory pro-
22 grams described in section 1_____ and any addi-
23 tional Federal or State programs designated by the
24 Governor of the State, comprising the consolidated
25 system described in section _____;

1 (7) the term "leading edge State" means a
2 State that has been awarded a grant under section
3 204(a);

4 (8) the term "National Board" means the Na-
5 tional Workforce Development Board established
6 under section 201(b);

7 (9) the term "National Commission for Em-
8 ployment Policy" means the Commission established
9 under section 472(a) of the Job Training Partner-
10 ship Act (29 U.S.C. 1772(a));

11 (10) the term "National Report Card" means
12 the Nation's Job Training Report Card issued pur-
13 suant to section 203;

14 (11) the term "one-stop career center" means
15 an intake, assessment, referral, and placement cen-
16 ter established pursuant to section 404;

17 (12) the term "State Blueprint" means the
18 State Workforce Development Policy Blueprint is-
19 sued pursuant to section 304(a);

20 (13) the term "State Council" means a State
21 workforce development council established pursuant
22 to section 301;

23 (14) the term "State Report Card" means the
24 State Job-Training Report Card issued pursuant to
25 section 304(b);

1 (15) the term “unified service delivery area”
2 means the common geographic service area bound-
3 aries overseen by a workforce development board
4 and established pursuant to section 306;

5 (16) the term “workforce development boards”
6 means a local board established pursuant to section
7 401; and

8 (17) the term “workforce development pro-
9 gram” means any of the more than 150 federally
10 funded job training programs identified by the Gov-
11 ernment Accounting Office, and any State funded
12 programs that provide job training assistance to in-
13 dividuals or assist employers to identify or train
14 workers.

15 **TITLE I—CONSOLIDATION**

16 **[To Be Supplied]**

17 **TITLE II—FEDERAL** 18 **RESPONSIBILITIES**

19 **SEC. 201. NATIONAL WORKFORCE DEVELOPMENT BOARD.**

20 (a) FINDINGS.—Congress finds that a national
21 workforce development board is necessary to—

22 (1) oversee the establishment and continuous
23 upgrading of the national workforce development
24 system;

1 (2) provide overall policy direction to the Fed-
2 eral agencies that administer the job training pro-
3 grams; and

4 (3) bring private sector expertise to the govern-
5 ance of the national workforce development system.

6 (b) ESTABLISHMENT.—

7 (1) IN GENERAL.—There is established the Na-
8 tional Workforce Development Board (referred to in
9 this Act as the “National Board”).

10 (2) COMPOSITION.—The National Board shall
11 be comprised of 9 members, of whom—

12 (A) one member shall be the Secretary of
13 Labor;

14 (B) one member shall be the Secretary of
15 Education;

16 (C) one member shall be the Secretary of
17 Commerce;

18 (D) three members shall be representatives
19 of business (including representatives of small
20 businesses and large employers);

21 (E) two members shall be representatives
22 of organized labor; and

23 (F) one member shall be selected from rep-
24 resentatives of—

25 (i) community-based organizations;

- 1 (ii) State and local governments; or
2 (iii) nongovernmental organizations
3 that have a history of successfully protect-
4 ing the rights of individuals with disabil-
5 ities or older persons.

6 (3) DIVERSITY REQUIREMENTS.—The members
7 described in subparagraphs (D), (E), and (F) of
8 paragraph (2) shall—

9 (A) in the aggregate, represent a broad
10 cross-section of occupations and industries; and

11 (B) to the extent feasible, be geographi-
12 cally representative of the United States, and
13 reflect the racial, ethnic, and gender diversity of
14 the United States.

15 (4) APPOINTMENT.—The members described in
16 subparagraphs (D), (E), and (F) of paragraph (2)
17 shall be appointed by the President, by and with the
18 advice and consent of the Senate.

19 (5) EX OFFICIO NONVOTING MEMBERS.—The
20 Director of the Office of Management and Budget,
21 the chairpersons and ranking minority members of
22 the Committee on Labor and Human Resources of
23 the Senate and the Committee on Education and
24 Labor of the House of Representatives, and the
25 chairperson of the National Commission for Employ-

1 ment Policy shall be ex officio, nonvoting members
2 of the National Board.

3 (6) TERM.—Each member of the National
4 Board appointed under subparagraph (D), (E), or
5 (F) of paragraph (2) shall be appointed for a term
6 of 4 years, except that of the initial members of the
7 National Board appointed under such
8 subparagraphs—

9 (A) two members shall be appointed for a
10 term of 2 years;

11 (B) two members shall be appointed for a
12 term of 3 years; and

13 (C) two members shall be appointed for a
14 term of 4 years.

15 (7) VACANCIES.—Any vacancy on the National
16 Board shall not affect the powers of the National
17 Board, but shall be filled in the same manner as the
18 original appointments.

19 (8) CHAIRPERSONS.—The President, by and
20 with the advice and consent of the Senate, shall se-
21 lect the Co-Chairpersons of the National Board from
22 among the members of the National Board ap-
23 pointed under subparagraphs (D) and (E) of para-
24 graph (2).

25 (9) COMPENSATION AND EXPENSES.—

1 (A) COMPENSATION.—Each member of the
2 National Board who is not a full-time employee
3 or officer of the Federal Government shall serve
4 without compensation. Each member of the Na-
5 tional Board who is an officer or employee of
6 the Federal Government shall serve without
7 compensation in addition to that received for
8 the services of such member as an officer or
9 employee of the Federal Government.

10 (B) EXPENSES.—The members of the Na-
11 tional Board shall be allowed travel expenses,
12 including per diem in lieu of subsistence, at
13 rates authorized for employees of agencies
14 under subchapter I of chapter 57 of title 5,
15 United States Code, while away from their
16 homes or regular places of business in the per-
17 formance of services for the National Board.

18 (10) EXECUTIVE DIRECTOR AND STAFF.—

19 (A) EXECUTIVE DIRECTOR.—The Chair-
20 person of the National Board shall appoint an
21 Executive Director who shall be compensated at
22 a rate determined by the National Board, not
23 to exceed the rate payable for level V of the Ex-
24 ecutive Schedule under section 5316 of title 5,
25 United States Code.

1 (B) STAFF.—The Executive Director
2 may—

3 (i) appoint and compensate such addi-
4 tional staff as may be necessary to enable
5 the National Board to perform its duties;
6 and

7 (ii) fix the compensation of the staff
8 without regard to the provisions of chapter
9 51 and subchapter III of chapter 53 of
10 title 5, United States Code, relating to
11 classifications of positions and General
12 Schedule pay rates, except that the rate of
13 pay for the staff may not exceed the rate
14 payable for level V of the Executive Sched-
15 ule under section 5316 of such title.

16 (11) VOLUNTARY AND UNCOMPENSATED SERV-
17 ICES.—Notwithstanding section 1342 of title 31,
18 United States Code, the National Board is author-
19 ized, in carrying out this title, to accept voluntary
20 and uncompensated services.

21 (12) AGENCY SUPPORT.—

22 (A) USE OF FACILITIES.—The National
23 Board may use the research, equipment, serv-
24 ices, and facilities of any agency or instrumen-

1 tality of the United States without the consent
2 of such agency or instrumentality.

3 (B) STAFF OF FEDERAL AGENCIES.—Upon
4 the request of the National Board, the head of
5 any Federal agency may detail to the National
6 Board, on a reimbursable basis, any of the per-
7 sonnel of such Federal agency to assist the Na-
8 tional Board in carrying out this title. Such de-
9 tail shall be without interruption or loss of civil
10 service status or privilege.

11 (13) PROCUREMENT OF TEMPORARY AND
12 INTERMITTENT SERVICES.—The Chairperson of the
13 National Board may procure temporary and inter-
14 mittent services of experts and consultants under
15 section 3109(b) of title 5, United States Code.

16 (c) DUTIES.—

17 (1) NATIONAL WORKFORCE DEVELOPMENT
18 STRATEGIC PLAN.—

19 (A) IN GENERAL.—Not later than July 1,
20 1995, and every 2 years thereafter, the Na-
21 tional Board shall issue a National Workforce
22 Development Strategic Plan (referred to in this
23 Act as the “Federal Blueprint”).

24 (B) REQUIREMENTS.—The Federal Blue-
25 print shall evaluate the progress being made to-

1 ward streamlining, consolidating, and reforming
2 the workforce development system of the United
3 States, and toward the purposes described in
4 section 2(b). The Federal Blueprint shall—

5 (i) compare the preparedness of the
6 workforce of the United States with the
7 workforce of other countries;

8 (ii) evaluate the effectiveness of the
9 job training system of the United States;

10 (iii) assess the lessons learned from
11 the experience of leading edge States, and
12 States that waive certain programmatic re-
13 quirements to experiment with alternative
14 workforce development strategies;

15 (iv) analyze how businesses are—

16 (I) progressing in the restructur-
17 ing of the workplace to provide contin-
18 uous learning; and

19 (II) improving the skills and
20 abilities of the front-line workers of
21 such businesses;

22 (v) evaluate the extent to which the
23 private sector—

1 (I) has effectively connected pub-
2 lic workforce development programs to
3 private sector training systems; and

4 (II) has provided resources to
5 public workforce development pro-
6 grams to carry out the activities of
7 such programs;

8 (vi) assess the extent to which feder-
9 ally funded business modernization entities
10 provide workforce development services to
11 front-line workers, and make recommenda-
12 tions to Congress and the President on
13 ways to improve linkages between federally
14 funded workforce development programs
15 and federally funded job training pro-
16 grams; and

17 (vii) based on the evaluation of the
18 progress being made toward the develop-
19 ment of an integrated, accountable, effec-
20 tive workforce development system, as de-
21 scribed in the National Report Card, make
22 recommendations to Congress and the
23 President on ways to promote further
24 streamlining, consolidation, and reform.

1 (2) CONGRESSIONAL TESTIMONY.—The Co-
2 chairpersons of the National Board shall, at least
3 annually, provide testimony, during a joint hearing,
4 before the Committee on Labor and Human Re-
5 sources of the Senate and the Committee on Edu-
6 cation and Labor of the House of Representatives on
7 the progress being made in developing a more inte-
8 grated and accountable public-private workforce de-
9 velopment system in the United States.

10 (3) INCENTIVES FOR TRAINING INCUMBENT
11 WORKERS.—Not later than January 1, 1996, the
12 National Board shall make recommendations to
13 Congress and the President on how employer and in-
14 dividual tax codes can be changed, or how other
15 measures can be taken, to encourage employers and
16 individuals to invest in training and skills upgrading.

17 (4) REVIEW AND COMMENT OF STATE APPLICA-
18 TIONS.—The National Board shall have an oppor-
19 tunity to review and comment on any State applica-
20 tion submitted under subsections (a) and (b) of sec-
21 tion 204 prior to the final action on such application
22 by the Federal Interagency Council.

23 **SEC. 202. FEDERAL INTERAGENCY COUNCIL.**

24 (a) ESTABLISHMENT.—There is established the Fed-
25 eral Interagency Council.

1 (b) COMPOSITION.—The Federal Interagency Council
2 shall be comprised of the following members:

3 (1) The Secretary of Labor.

4 (2) The Secretary of Education.

5 (3) The Secretary of Health and Human Serv-
6 ices.

7 (4) Any other officer of the Executive Branch
8 appointed by the President.

9 (c) DUTIES.—

10 (1) IN GENERAL.—The Federal Interagency
11 Council shall carry out the duties described in para-
12 graphs (2) and (3) in a coordinated and collabo-
13 rative manner to ensure that a unified policy of the
14 Executive Branch with respect to the performance of
15 such duties is developed and implemented in a time-
16 ly manner.

17 (2) OVERSIGHT.—The Federal Interagency
18 Council shall oversee the development and implemen-
19 tation of information systems for federally supported
20 workforce development programs including—

21 (A) a comprehensive and uniform labor
22 market information system, developed pursuant
23 to section 206;

24 (B) a quality assurance system developed
25 pursuant to section 205; and

1 (C) the dissemination, collection, and fa-
2 cilitation of the exchange of information pursu-
3 ant section 204(d) with respect to the best
4 practices in the streamline or reform of job
5 training systems.

6 (3) DEVELOPMENT OF INTEGRATED
7 WORKFORCE DEVELOPMENT SERVICE DELIVERY SYS-
8 TEMS.—The Federal Interagency Council shall de-
9 velop, conduct, and oversee the process with respect
10 to the provisions of grants under subsections (a) and
11 (b) of section 204, and shall make recommendations
12 to the National Board under subsection (e) of sec-
13 tion 204 with respect to whether a new job training
14 programs is in compliance with certain aspects of a
15 integrated, streamlined workforce development sys-
16 tem.

17 (4) PROGRESS REPORT.—The Federal Inter-
18 agency Council shall, annually, issue a report to
19 Congress, the President, and the National Board on
20 progress being made by the Federal Interagency
21 Council in carrying out the duties of the Federal
22 Interagency Council under paragraphs (2) and (3).

23 **SEC. 203. NATIONAL REPORT CARD.**

24 (a) ANNUAL REPORT.—

1 (1) IN GENERAL.—Not later than July 1, 1996,
2 and each year thereafter, the National Commission
3 on Employment Policy shall prepare a report to be
4 known as the Nation's Job Training Report Card
5 (referred to in this Act as the "National Report
6 Card").

7 (2) REQUIREMENTS.—The National Report
8 Card shall assess the performance of the workforce
9 development system of the United States, based on
10 the earnings and employment gains and other
11 nonemployment-related outcomes of individuals as-
12 sisted by the programs comprising such system. The
13 National Report Card shall evaluate all workforce
14 development programs that receive Federal funding,
15 and shall—

16 (A) determine the annual Federal invest-
17 ment in workforce development in each State.

18 (B) assess the performance of each pro-
19 gram;

20 (C) assess performance based on the type
21 of assistance provided, including the categories
22 of services identified in section 205(b)(1)(C);

23 (D) assess year-to-year changes in per-
24 formance; and

1 (E) assess the performance of the
2 workforce development system in each State;

3 (3) INDEPENDENCE OF THE NATIONAL COMMIS-
4 SION FOR EMPLOYMENT POLICY.—Section 471 of
5 the Job Training Partnership Act (29 U.S.C. 1771)
6 is amended by striking “Policy” and inserting “Pol-
7 icy as an independent agency in the Executive
8 Branch,”.

9 **SEC. 204. MECHANISMS FOR BUILDING HIGH QUALITY IN-**
10 **TEGRATED WORKFORCE DEVELOPMENT SYS-**
11 **TEMS.**

12 (a) GRANTS TO LEADING EDGE STATES.—

13 (1) PURPOSE.—The purpose of this subsection
14 is to assist States in the implementation of statewide
15 high quality integrated workforce development sys-
16 tems that are accountable for achieving results.

17 (2) GRANTS TO STATES.—On the application of
18 the Governor on behalf of a State in accordance with
19 paragraph (5), the Federal Interagency Council may
20 provide an implementation grant to the State in
21 such amount as the Federal Interagency Council de-
22 termines to be necessary to enable such State to im-
23 plement an integrated workforce development sys-
24 tem.

1 (3) PERIOD OF GRANT.—The provision of pay-
2 ments under a grant under this subsection shall not
3 exceed 5 fiscal years, and shall be subject to the an-
4 nual approval of the Federal Interagency Council
5 and the availability of appropriations for the fiscal
6 year involved.

7 (4) LIMITATION.—A State shall be eligible to
8 receive not more than 1 implementation grant under
9 this subsection.

10 (5) APPLICATION.—To be eligible to receive an
11 implementation grant under this subsection, the
12 Governor of a State, on behalf of the State, shall
13 submit to the National Board and the Federal Inter-
14 agency Council an application that shall include a
15 copy of the State Blueprint and such information as
16 the Federal Interagency Council may require.

17 (b) STATE DEVELOPMENT GRANTS.—

18 (1) PURPOSE.—The purpose of this subsection
19 is to assist in planning for integrated workforce de-
20 velopment systems and to support the implementa-
21 tion of a labor market information, financial and
22 management information system, and quality assur-
23 ance system, including accountability and continuous
24 improvement systems.

1 (2) GRANTS TO STATES.—On the application of
2 the Governor on behalf of a State in accordance with
3 paragraph (5), the Federal Interagency Council may
4 provide a development grant to the State in such
5 amount as the Federal Interagency Council deter-
6 mines to be necessary to enable such State to com-
7 plete the planning and development of a comprehen-
8 sive statewide integrated workforce development sys-
9 tem.

10 (3) AMOUNT.—The amount of a development
11 grant under this section may not exceed
12 \$_____ for any fiscal year.

13 (4) COMPLETION.—The Federal Interagency
14 Council may provide such grant to complete develop-
15 ment of a statewide labor market information sys-
16 tem.

17 (5) APPLICATION.—To be eligible to receive a
18 development grant under this subsection, the Gov-
19 ernor of a State, on behalf of the State, shall submit
20 to the National Board and the Federal Interagency
21 Council an application, at such time, in such form,
22 and containing such information as the Federal
23 Interagency Council may require.

24 (c) CENTRALIZED WAIVERS.—

25 **【TO BE SUPPLIED】**

1 (d) DISSEMINATION OF INFORMATION ON BEST
2 PRACTICES.—

3 (1) IN GENERAL.—The Federal Interagency
4 Council shall—

5 (A) collect and disseminate information
6 that will assist State and local communities un-
7 dertaking activities to streamline and reform
8 their job training systems, including informa-
9 tion on—

10 (i) successful and innovative leading
11 edge State and local initiatives; and

12 (ii) research concerning the restruc-
13 turing of job training assistance; and

14 (B) facilitate the exchange of information
15 and ideas among States and local entities carry-
16 ing out job training reform initiatives.

17 (2) USE OF INFORMATION CLEARINGHOUSES
18 AND OTHER ENTITIES.—To carry out this sub-
19 section, the Federal Interagency Council shall utilize
20 such mechanisms as—

21 (A) the Capacity Building and Information
22 Dissemination Network established pursuant to
23 section 453(b) of the Job Training Partnership
24 Act (29 U.S.C. 1733(b));

1 (B) the education resources information
2 center clearinghouses referred to in the General
3 Education Provisions Act (20 U.S.C. 1221e);

4 (C) the National Network for Curriculum
5 Coordination in Vocational and Technical Edu-
6 cation established under section 402(c)(2) of
7 the Carl D. Perkins Vocational and Applied
8 Technology Education Act (20 U.S.C.
9 2402(c)(2)); and

10 (D) **[Note. Add information from Depart-**
11 **ment of Commerce]; and**

12 (E) **[the National Institute for Lit-**
13 **eracy established under section 384 of**
14 **the Adult Education Act (20 U.S.C.**
15 **1213c) and the State Literacy Re-**
16 **source Centers established under sec-**
17 **tion 356 of the such Act (20 U.S.C.**
18 **1208aa).]**

19 (e) **WORKFORCE DEVELOPMENT IMPACT RE-**
20 **PORTS.**—The Federal Interagency Council shall make rec-
21 ommendation to the National Board on whether a pro-
22 posed new job training program complies with the data
23 reporting, common definitions, and other aspects of the
24 integrated, streamlined workforce development system de-
25 scribed in subsections (a) and (b) of section 205. A deter-

1 mination of compliance by the National Board under this
2 subsection shall be a condition for eligibility to receive
3 Federal funds.

4 **SEC. 205. QUALITY ASSURANCE SYSTEM**

5 (a) **PURPOSE.**—The purpose of this section is to im-
6 prove the quality of all Federal programs directed at im-
7 proving the knowledge, skills, and abilities of members of
8 the workforce by strengthening accountability and encour-
9 aging the adoption of quality improvement processes at
10 all levels of the development system based on standard
11 outcome measures relating to—

- 12 (1) employment;
13 (2) job retention;
14 (3) earnings; and
15 (4) nonemployment outcome measures such as
16 learning and competency gains.

17 (b) **ACCOUNTABILITY.**—

18 (1) **IN GENERAL.**—Each workforce development
19 program that receives Federal funds shall collect
20 and report to the Governor and the State Council,
21 for each participant to whom assistance is provided,
22 the following information:

23 (A) The quarterly employment status and
24 earnings for 1 year after the participant no
25 longer receives assistance under such program.

- 1 (B) Economic and demographic character-
2 istics, including the participant's—
3 (i) social security number;
4 (ii) date of birth;
5 (iii) gender;
6 (iv) race or ethnicity;
7 (v) disability status;
8 (vi) education (highest formal grade
9 level achieved at commencement of partici-
10 pation in program);
11 (vii) academic degrees and credentials
12 at time of entry into the program; and
13 (viii) employment status at time of
14 entry into the program, including—
15 (I) scheduled hours of work per
16 week (if employed);
17 (II) weeks of unemployment (if
18 not employed);
19 (III) status as a homeless indi-
20 vidual;
21 (IV) veteran status; and
22 (V) information regarding the re-
23 ceipt by the individual of public finan-
24 cial assistance (including Federal,
25 State, and local assistance).

1 (C) Services received, the extent, when ap-
2 propriate, and spending for such services,
3 including—

4 (i) assessments;

5 (ii) testing;

6 (iii) counseling;

7 (iv) job development or job search as-
8 sistance;

9 (v) occupational skills training, includ-
10 ing on-the-job training;

11 (vi) work experience;

12 (vii) job readiness training;

13 (viii) basic skills education;

14 (ix) training in English as a second
15 language;

16 (x) postsecondary academic education
17 (nonoccupational); and

18 (xi) supportive and supplementary
19 services.

20 (D) The extent to which an activity is com-
21 pleted, including, as appropriate, the reason for
22 noncompletion.

23 (E) Program outcomes, as specified by the
24 State, such as—

1 (i) advancement to higher level edu-
2 cation or training;

3 (ii) attainment of additional degrees
4 or credentials (including skill standards as
5 such standards become available);

6 (iii) assessment of learning gain in
7 English as a second language;

8 (iv) assessment of learning gain in
9 basic skills;

10 (v) attainment and retention of sub-
11 sidized or unsubsidized employment;

12 (vi) quarterly earnings;

13 (vii) reduction in welfare dependency;

14 and

15 (viii) customer satisfaction.

16 (F) Other data elements, which shall be
17 added to the items required to be collected and
18 reported for all program participants, as the
19 Federal Interagency Council develops additional
20 standard definitions, including—

21 (i) date of entry into the program and
22 date of exit from the program;

23 (ii) program applicant, program par-
24 ticipant, and program terminnee; and

1 (iii) attainment of recognized skills
2 standards.

3 (2) REPLACEMENT OF EXISTING REQUIRE-
4 MENTS.—Performance monitoring under this section
5 shall take the place of existing program require-
6 ments for monitoring and reporting of recipient em-
7 ployment status earnings.

8 (c) COMMON DEFINITIONS.—

9 (1) ADOPTION.—

10 (A) REPORT.—Not later than 1 year after
11 the date of enactment of this Act, each Federal
12 department and agency with responsibility for a
13 workforce development program shall report to
14 the National Board on its progress in adopting
15 the common terms and definitions for program
16 participants, service activities, and outcomes by
17 program operators and grant recipients.

18 (B) IMPLEMENTATION.—Not later than 2
19 years after the date of enactment of this Act,
20 each workforce development program receiving
21 Federal funds shall use the common terms and
22 definitions.

23 (2) USE.—Upon adoption by the appropriate
24 Federal agencies, the common definitions for termi-
25 nology developed and reported pursuant to section

1 455 of the Job Training Partnership Act (29 U.S.C.
2 1735(b)) shall be utilized in interpreting and compil-
3 ing the core data elements, and notwithstanding any
4 other provision of Federal law, shall be utilized in
5 lieu of existing program definitions for similar data
6 elements.

7 (3) RECOMMENDATIONS.—Not later than 180
8 days after the date of enactment of this Act, the Na-
9 tional Board shall make recommendations to the
10 Secretary of Education, the Secretary of Labor, and
11 the Secretary of Health and Human Services on
12 common definitions for other terms, relating to—

13 (A) program status, including—

14 (i) applicant;

15 (ii) participant;

16 (iii) terminee; and

17 (iv) training-related placement;

18 (B) program eligibility, including—

19 (i) family income; and

20 (ii) economically disadvantaged indi-
21 viduals; and

22 (C) such other terms considered appro-
23 priate by the National Board.

24 (4) AMENDMENTS.—If any of the proposed
25 common definitions require amendment to existing

1 laws, the National Board shall submit to Congress
2 recommendations for legislative action not later than
3 9 months after the date of enactment of this Act.

4 (5) CONSISTENT FUNDING CYCLES.—

5 (A) IN GENERAL.—All federally funded
6 workforce development training activities shall, to
7 the extent practicable, be funded on a consistent
8 basis.

9 (B) RECOMMENDATIONS FOR FUNDING
10 CYCLE.—Not later than 180 days after the date of
11 enactment of this Act, the National Board shall
12 make recommendations to Congress on the appro-
13 priate funding cycle to be used for all workforce de-
14 velopment programs and activities.

15 (d) ADMINISTRATIVE RECORDS.—

16 (1) IN GENERAL.—Requesting programs shall
17 reimburse the State agency responsible for wage
18 record data for the cost of matching such informa-
19 tion. Notwithstanding any other provision of Federal
20 law, requesting programs may use Federal funds for
21 such reimbursement.

22 (2) CONFIDENTIALITY.—Requesting pro-
23 grams—

1 (A) shall protect the confidentiality of
2 wage record data through the use of recognized
3 security procedures;

4 (B) may not release such data; and

5 (C) may not retain such data for more
6 than 10 years.

7 (3) SUBMISSION TO STATE AGENCY.—Each pro-
8 gram shall submit the results of the matching to the
9 State Council, in accordance with procedures and
10 schedules specified by the Federal Interagency
11 Council in regulations.

12 (e) RESPONSIBILITIES OF GOVERNORS.—The Gov-
13 ernor of each State shall ensure the submission of data,
14 performance information, and other information to the
15 National Board and other Federal entities, as required by
16 the National Board.

17 (f) DISSEMINATION OF QUALITY ASSURANCE.—The
18 information obtained under subsection (b) shall be made
19 available to—

20 (1) the State Council of the State in which the
21 program is located;

22 (2) the local workforce development boards in
23 the State in which the program is located; and

1 (3) consumers of labor market information to
2 judge individual program performance in an easily
3 accessible format.

4 **SEC. 206. LABOR MARKET INFORMATION.**

5 **[Note: This section is subject to substan-**
6 **tial revision.]**

7 (a) FINDINGS.—Congress finds that accurate, timely,
8 and relevant data for the Federal, States, and localities
9 are a prerequisite for the achievement of Federal domestic
10 policy goals, including—

11 (1) economic growth and productivity
12 through—

13 (A) career planning and successful job
14 training and job searching by youth and adults;
15 and

16 (B) efficient hiring, effective worker train-
17 ing, and appropriate location and organization
18 of work by employers;

19 (2) accountability, through planning and eval-
20 uation, in workforce development and job placement
21 programs funded by the Federal Government or de-
22 veloped by other public or private entities;

23 (3) equity and efficiency in the allocation of
24 Federal funds for workforce development programs;
25 and

1 (4) greater understanding of local labor market
2 dynamics through the support of research.

3 (b) PURPOSE.—The purpose of this section is to pro-
4 vide for the development, maintenance, and continuous
5 improvement of a nationwide system for the collection,
6 analysis, and dissemination of labor market information.

7 (c) SYSTEM.—

8 (1) DEVELOPMENT.—The Bureau of Labor
9 Statistics, the Federal Interagency Council, and the
10 State statistical agencies responsible for labor mar-
11 ket information (referred to in this section as the
12 “cooperating agencies”) shall cooperatively develop,
13 maintain, and continuously improve a nationwide
14 system of labor market information.

15 (2) INFORMATION TO BE INCLUDED.—The sys-
16 tem described in paragraph (1) shall include—

17 (A) statistical data from survey and pro-
18 jection programs and from administrative re-
19 porting systems, which, taken together, shall
20 enumerate, estimate, and project the supply
21 and demand for labor at the Federal, State,
22 and local levels in a timely manner, including
23 data on—

24 (i) job duties, education and training
25 requirements, skills, wages, benefits, work-

1 ing conditions, and industrial distribution
2 of occupations;

3 (ii) current and projected employment
4 opportunities and trends, by industry and
5 occupation;

6 (iii) educational attainment, training,
7 skills, skill levels, and occupations of the
8 population;

9 (iv) demography, socioeconomic char-
10 acteristics, and current employment status
11 of the population, including self-employed,
12 part-time, and seasonal workers;

13 (v) information maintained over time
14 on the quarterly earnings, industry affili-
15 ation, and geographic location of employ-
16 ment for all individuals for whom such in-
17 formation is collected by the States; and

18 (vi) the incidence, industrial and geo-
19 graphical location, and number of workers
20 displaced by permanent layoffs and plant
21 closings;

22 (B) data on employment resources, which
23 shall be current, comprehensive, localized, and
24 automated, and which shall be in a form useful

1 for immediate employment and career explo-
2 ration, on—

3 (i) job openings, locations, hiring re-
4 quirements, and application procedures;

5 (ii) profiles of employers in the local
6 labor market, describing the nature of
7 work performed, employment requirements,
8 wages, benefits, and hiring patterns;

9 (iii) jobseekers, including their edu-
10 cation and training, skills, skill levels, em-
11 ployment experience, and employment
12 goals; and

13 (iv) education courses, training pro-
14 grams, and job placement programs, in-
15 cluding consumer information for youth,
16 adults, and employers derived from the
17 quality assurance system established under
18 section 205, other statistically based per-
19 formance evaluations, and user satisfaction
20 ratings;

21 (C) a common structure for data collection
22 and analysis of administrative records designed
23 to ensure compatibility of data and information
24 from local to State and Federal levels
25 including—

1 (i) standard classification and coding
2 systems for industries, occupations, skills,
3 programs, and courses;

4 (ii) nationally standardized definitions
5 of terms consistent with section 205(c);
6 and

7 (iii) a common system for designating
8 geographic areas consistent with the uni-
9 fied service delivery areas;

10 (D) technical standards and quality control
11 mechanisms for data collection and analysis;
12 and

13 (E) common schedules for data collection
14 and dissemination.

15 (3) ANALYSIS.—Labor market information of a
16 system described in paragraph (1) shall include
17 analyses of data and information for the purposes
18 of—

19 (A) Federal, State, and local economic pol-
20 icymaking;

21 (B) implementation of Federal policies, in-
22 cluding the allocation of Federal funds to
23 States and localities and the facilitation of job
24 search and hiring in local labor markets;

1 (C) Federal, State, and local planning and
2 evaluation of workforce development and job
3 placement programs; and

4 (D) research on labor market dynamics.

5 (4) AVAILABILITY OF INFORMATION.—Data
6 generated by the labor market information system
7 containing information on quarterly employment and
8 earnings, together with matched individual data on
9 individuals who have participated in a federally sup-
10 ported job training activity, shall be made available
11 to the National Commission for Employment Policy
12 for use in the preparation of the National Report
13 Card.

14 (5) CONTINUOUS IMPROVEMENT.—The cooper-
15 ating agencies shall—

16 (A) develop, maintain, and continuously
17 improve dissemination mechanisms for data and
18 analysis, including mechanisms that may be
19 standardized among the States (such as tele-
20 communications structures and rules for public
21 access);

22 (B) develop, maintain, and continuously
23 improve programs of technical assistance and
24 staff development for States and localities in
25 the development, maintenance, and utilization

1 of data, analysis, and dissemination mecha-
2 nisms, including assistance in adopting and uti-
3 lizing automated systems and improving the ac-
4 cess, through electronic and other means, of
5 youth, adults, and employers to labor market
6 information;

7 (C) operate programs of research and dem-
8 onstration, which may be carried out by States
9 and other public or private entities, on ways to
10 improve the products and processes authorized
11 by this section; and

12 (D) develop objective performance meas-
13 ures that provide for the continuous monitoring
14 of the progress of the labor market information
15 system at the Federal, State, and local levels.

16 **SEC. 207. RESPONSIBILITIES OF THE BUREAU OF LABOR**
17 **STATISTICS.**

18 (a) **IN GENERAL.**—The Bureau of Labor Statistics
19 (referred to in this Act as the “Bureau”) shall, in coopera-
20 tion with the Federal Interagency Council and the States,
21 plan, administer, oversee, and evaluate the Nation’s labor
22 market information system.

23 (b) **DATA COLLECTION, ANALYSIS, AND DISSEMINA-**
24 **TION.**—The Bureau shall—

1 (1) specify needed improvements in administra-
2 tive reporting systems to support the development of
3 labor market information; and

4 (2) manage the investment in labor market in-
5 formation by—

6 (A) developing a comprehensive annual
7 budget, including funds at the Federal level,
8 funds allotted to States by formula, and funds
9 supplied to the States by contracts with depart-
10 mental entities;

11 (B) administering grants allotted to States
12 by formula; and

13 (C) negotiating and executing contracts
14 with the States.

15 (c) REQUIREMENTS.—In carrying out its duties
16 under this section, the Bureau shall—

17 (1) ensure that data is sufficiently timely and
18 locally detailed for use, including uses specified in
19 section 206(b); and

20 (2) ensure that automated technology is used
21 by Federal and State agencies.

22 (d) ASSISTANCE FROM OTHER AGENCIES.—

23 (1) IN GENERAL.—Subject to paragraph (2),
24 the Bureau may receive assistance from other Fed-
25 eral agencies (such as the Employment and Training

1 Administration in the Department of Labor and the
2 Office of Adult and Vocational Education in the De-
3 partment of Education) to assist in the collection,
4 analysis, and dissemination of labor market informa-
5 tion, and in the provision of training and technical
6 assistance to users of information, including States,
7 employers, youth, and adults.

8 (2) LIMITATION.—Assistance from agencies
9 under this subsection shall conform to the common
10 structure specified in [section ____].

11 **SEC. 208. ANNUAL PLAN.**

12 (a) PREPARATION.—The Bureau shall annually pre-
13 pare and submit to the Federal Interagency Council for
14 approval, a plan for achieving a cooperative Federal and
15 State governance structure for labor market information.

16 (b) CONTENTS.—The plan shall describe the budg-
17 etary needs of the Bureau and other Federal agencies with
18 respect to labor market information, and shall describe the
19 activities of the Bureau and other Federal agencies with
20 respect to data collection, analysis, and dissemination for
21 each fiscal year succeeding the fiscal year in which the
22 plan is developed. The plan shall—

23 (1) describe current Federal spending on labor
24 market information activities from all sources;

25 (2) identify specific budgetary needs; and

1 (3) develop a unified labor market information
2 budget, including—

3 (A) a summary of the results of the peri-
4 odic review conducted pursuant to subsection
5 (c);

6 (B) an evaluation, including the results of
7 objective measures, of the performance of the
8 labor market information system in meeting the
9 needs identified in such review and the meas-
10 ures to be taken to overcome deficiencies;

11 (C) a description of the development of
12 new data programs, analytical techniques, defi-
13 nitions and standards, dissemination mecha-
14 nisms, governance mechanisms, and funding
15 processes to meet new needs; and

16 (D) a summary of the results of an annual
17 review of the costs to the States of meeting con-
18 tract requirements for data production, includ-
19 ing a description of how the budget request of
20 the Bureau for labor market information will
21 cover such costs.

22 (c) STATE INVOLVEMENT.—The Bureau shall pro-
23 vide for the involvement of States in developing the plan,
24 by establishing procedures and mechanisms for holding
25 formal consultations on products and administration of

1 the system, at least once each quarter. Such review shall
2 be conducted in cooperation with representatives of the
3 States, who shall be elected, periodically and for fixed
4 terms, from among the State directors of labor market in-
5 formation, pursuant to a process established by the Na-
6 tional Board.

7 (d) SUBMISSION OF PLAN TO STATES.—The Bureau
8 and the Federal Interagency Council shall submit copies
9 of the plan to each State for review and comments by the
10 Governor of such State and the State Council, which shall
11 be incorporated into the copy of the plan that is submitted
12 to Congress.

13 **SEC. 209. RESPONSIBILITIES OF GOVERNORS.**

14 (a) DESIGNATION OF STATE AGENCY.—The Gov-
15 ernor of each State shall designate one State agency to
16 be the agency responsible for—

17 (1) the management and oversight of a state-
18 wide comprehensive labor market information sys-
19 tem; and

20 (2) the State's participation in the cooperative
21 Federal and State governance structure for the na-
22 tionwide labor market information system.

23 (b) REQUIREMENTS.—As a condition of receiving
24 Federal financial assistance under this title, the State
25 agency described in subsection (a) shall—

1 (1) develop, maintain, and continuously improve
2 a comprehensive labor market information system,
3 which shall—

4 (A) include the elements specified in sec-
5 tion 206(c)(2);

6 (B) be responsive to the needs of the State
7 and the localities of such State for planning
8 and evaluative data, including employment and
9 economic analyses and projections, and program
10 outcome data on employment and earnings for
11 the quality assurance system under section 205;
12 and

13 (C) meet Federal standards under chapter
14 35 of title 44, United States Code, and other
15 appropriate Federal standards established by
16 the Bureau;

17 (2) ensure the performance of contract and
18 grant responsibilities for data collection, analysis,
19 and dissemination;

20 (3) conduct such other data collection, analysis,
21 and dissemination activities as will ensure the collec-
22 tion of comprehensive State and local labor market
23 information;

24 (4) coordinate the data collection, analysis, and
25 dissemination activities of other State and local

1 agencies, with particular attention to State edu-
2 cation, economic development, human services, and
3 welfare agencies, to ensure complementary and com-
4 patibility among data;

5 (5) participate in the development and review of
6 the annual plan; and

7 (6) cooperate with the National Commission for
8 Employment Policy and the Federal Interagency
9 Council by making available, as requested, data for
10 the evaluation of programs covered by the quality
11 assurance system under section 205.

12 (c) NONINTERFERENCE WITH STATE FUNCTIONS.—
13 Nothing in this Act shall limit the ability of the State
14 agency designated under this section to conduct additional
15 data collection, analysis, and dissemination activities with
16 funds derived from sources other than this Act.

17 **SEC. 210. ALLOTMENTS.**

18 (a) COOPERATIVE STATISTICAL PROGRAMS.—Not
19 more than ____ percent of the funds made available pur-
20 suant to this Act shall be reserved for the operation of
21 the cooperative statistical programs under section ____
22 and for activities under subsections ____ of section ____.

23 (b) CONTRACTS TO STATES.—Not less than ____
24 percent of the funds made available pursuant to this Act

1 shall be contracted to the States on a cost basis, according
2 to the cost review in section ____

3 (c) BUREAU ACTIVITIES.—Not more than ____ per-
4 cent of the funds made available pursuant to this Act shall
5 be reserved for Bureau activities under subsection ____.

6 **SEC. 211. CONTRACT AUTHORITY.**

7 The Bureau is authorized to enter into contracts and
8 intergovernmental cooperative agreements for participa-
9 tion in system financing from agencies that use the data
10 of the labor market information system, to carry out du-
11 ties with respect to interdepartmental coordination of em-
12 ployment-related data under section ____.

13 **TITLE III—STATE**
14 **RESPONSIBILITIES**

15 **SEC. 301. STATE WORKFORCE DEVELOPMENT COUNCILS.**

16 (a) ESTABLISHMENT.—Each State desiring to par-
17 ticipate in the development of an integrated and account-
18 able workforce development system under the procedures
19 specified in section 204(a) shall establish a State
20 Workforce Development Council (referred to in this Act
21 as a “State Council”) or have located within such State
22 an existing entity that is similar to a State Council and
23 that includes members who are representatives of employ-
24 ers and workers.

1 (b) PURPOSE.—Each State Council shall serve as the
2 principal advisory board for the Governor of such State
3 for all programs included in the States integrated
4 workforce development system.

5 (c) FUNCTIONS.—Each State Council shall assume
6 the functions and responsibilities of councils and commis-
7 sions required under Federal law that are part of the inte-
8 grated workforce development system of such State.

9 **SEC. 302. MEMBERSHIP.**

10 (a) IN GENERAL.—

11 (1) REPRESENTATIVES OF BUSINESS AND IN-
12 DUSTRY AND ORGANIZED LABOR.—Each State
13 Council shall be comprised of individuals who are
14 appointed by the Governor for a term of not less
15 than 2 years from among—

16 (A) representatives of business and indus-
17 try, who shall constitute not less than 51 per-
18 cent of the membership of the State Council,
19 including individuals who are members of local
20 workforce development boards; and

21 (B) representatives of organized labor who
22 shall constitute not less than 15 percent of the
23 membership of the State Council and shall be
24 selected from among individuals nominated by
25 recognized State labor federations.

1 (2) ADDITIONAL MEMBERS.—Each State Coun-
2 cil may include one or more qualified members who
3 are appointed by the Governor from among the fol-
4 lowing:

5 (A) Local public education.

6 (B) Postsecondary institutions.

7 (C) Secondary or postsecondary vocational
8 education institutions.

9 (D) Community-based organizations.

10 (E) Local welfare agencies.

11 (F) Public housing agencies.

12 (G) Units of general local government or
13 consortia of such units (such persons to be ap-
14 pointed from nominations made by the chief
15 elected officials of such units or consortia).

16 (H) The State legislature.

17 (I) Any State or local program that re-
18 ceives Federal funding from any program in-
19 cluded in the integrated workforce development
20 system of the State.

21 (J) Academic researchers or job training
22 specialists.

23 (b) EX OFFICIO.—

1 (1) **[NONVOTING MEMBERS].**—The Governor
2 may appoint ex officio additional nonvoting members
3 to the State Council.

4 (2) **EXPERTISE.**—The Governor of the State
5 shall ensure that the State Council and the staff of
6 the State Council have sufficient expertise to effec-
7 tively carry out the duties and functions of State
8 Councils described under the laws relating to the ap-
9 plicable program.

10 **SEC. 303. CHAIRPERSON.**

11 The Governor of the State shall appoint a chairperson
12 of the State Council who is a representative of the busi-
13 ness community.

14 **SEC. 304. DUTIES AND RESPONSIBILITIES.**

15 (a) **STATE WORKFORCE DEVELOPMENT POLICY**
16 **BLUEPRINT.**—The State Council shall assist the Governor
17 to prepare and submit to the National Board a biennial
18 report to be known as the State Workforce Development
19 Policy Blueprint (referred to in this Act as the “State
20 Blueprint”). The State Blueprint shall—

21 (1) serve as a strategic plan for integrating fed-
22 erally funded workforce development programs in-
23 cluded in an integrated system of the State, estab-
24 lished pursuant to section 204(a), with State-funded

1 job-training, employment, employment-related edu-
2 cation, and economic development activities;

3 (2) summarize and analyze information about
4 training needs of critical industries in the State con-
5 tained in the local workforce development policy
6 blueprints developed by the workforce development
7 board;

8 (3) analyze how the businesses of the State
9 are—

10 (A) progressing in the restructuring of the
11 workplace to provide continuous learning;

12 (B) improving the skills and abilities of
13 front-line workers of such businesses; and

14 (C) participating in State and local efforts
15 to transform federally funded job training pro-
16 grams into a coherent and accountable
17 workforce development system;

18 (4) utilize information available from the State
19 Report Card and other sources to analyze the rel-
20 ative effectiveness of individual workforce develop-
21 ment programs within the State and of the State's
22 workforce development system as a whole;

23 (5) evaluate the progress being made within the
24 State in streamlining, consolidating, and reforming
25 the workforce development system of the State in ac-

1 cordance with the purposes contained in section 2(b)
2 and the framework for State implementation con-
3 tained in the implementation grant proposal of the
4 State;

5 (6) identify how any funds that a State may be
6 receiving under section 204(a) are to be utilized in
7 conjunction with existing resources to continuously
8 improve the effectiveness of the workforce develop-
9 ment system of the State;

10 (7) specify the elements to be included in oper-
11 ating agreements between local workforce develop-
12 ment boards and one-stop career centers;

13 (8) specify the nonemployment-related outcome
14 measures that will be used for the workforce devel-
15 opment system;

16 (9) specify the nature and scope of the budget
17 authority for local workforce development boards in
18 the State; and

19 (10) supplant federally required planning re-
20 ports for programs under the integrated workforce
21 development system of the State.

22 (b) STATE JOB TRAINING REPORT CARD.—The
23 State Council shall assist the Governor of the State to
24 issue an annual report to be known as the State Job
25 Training Report Card detailing the performance of all

1 workforce development programs operating in the State
2 that receive Federal funding and any additional State-
3 funded programs that the Governor may choose to include.

4 The State Job Training Report Card shall—

5 (1) include an integrated budget that docu-
6 ments the annual spending, number of clients
7 served, and types of services provided for workforce
8 development programs for the State as a whole and
9 for each unified service delivery area within the
10 State;

11 (2) utilize information available from the qual-
12 ity assurance system established under section 205
13 to assess—

14 (A) employment and earnings experiences
15 of individuals who have received assistance from
16 each workforce development program operated
17 in the State; and

18 (B) relative employment and earnings ex-
19 periences of participants receiving services from
20 each one-stop career center in the State;

21 (3) include an analysis of other
22 nonemployment-related results for each workforce
23 development program operating within the State;
24 and

1 (4) include a report of annual employment
2 trends (by industry and occupation) in the State and
3 each unified service delivery area, to assist State and
4 local policymakers, training providers, and users of
5 the system to link the training provided to the skill
6 and labor force needs of local employers.

7 (c) **WORKFORCE DEVELOPMENT BOARD CERTIFI-**
8 **CATION AND EFFECTIVENESS CRITERIA.**—Each State
9 Council shall—

10 (1) assist the Governor to certify each local
11 workforce development board; and

12 (2) make recommendations to the Governor for
13 criteria that will be used to judge the effectiveness
14 of each of the workforce development boards of the
15 State to assess the performance of programs oper-
16 ated in each of the unified service delivery areas,
17 and to monitor the continuous improvement of such
18 programs.

19 **SEC. 305. ADMINISTRATION.**

20 (a) **AUTHORITIES.**—Each State Council shall be inde-
21 pendent of other State workforce development agencies
22 and have the authority to—

23 (1) employ staff; and

24 (2) receive and disburse funds.

1 (b) SPECIAL PROJECTS.—Each State Council may
2 fund and operate special pilot or demonstration projects
3 for purposes of research or continuous improvement of
4 system performance.

5 **SEC. 306. ESTABLISHMENT OF UNIFIED SERVICE DELIVERY**
6 **AREAS.**

7 (a) UNIFIED SERVICE DELIVERY AREAS.—The State
8 Council shall make recommendations to the Governor for
9 the establishment of unified service delivery areas that
10 may be used as intrastate geographic boundaries for all
11 workforce development programs in an integrated system
12 of the State pursuant to section 204(a).

13 (b) IN GENERAL.—Each State receiving an imple-
14 mentation grant under section 204(a) shall, based upon
15 the recommendations of the State Council, and in con-
16 sultation and cooperation with local communities, estab-
17 lish unified service delivery areas throughout the State for
18 the purpose of providing community wide workforce devel-
19 opment assistance in one-stop career centers under section
20 404.

21 (c) RESPONSIBILITIES.—In establishing unified serv-
22 ice delivery areas, the Governor, in consultation with the
23 State Council and local communities—

24 (1) shall take into consideration existing—

25 (A) labor market areas;

- 1 (B) units of general local government;
2 (C) service delivery areas established under
3 section 101 of the Job Training Partnership
4 Act (29 U.S.C. 1511); and
5 (D) the distance traveled by individuals to
6 receive services;
7 (2) may merge existing service delivery areas;
8 and
9 (3) may not approve a total number of unified
10 service delivery areas that is greater than the total
11 number of existing service delivery areas in the
12 State.

13 **SEC. 307. FINANCIAL AND MANAGEMENT INFORMATION**
14 **SYSTEMS.**

15 (a) **IN GENERAL.**—Each State Council of each State
16 that receives an implementation grant under section
17 204(a) shall design and require the use of a unified finan-
18 cial and management information system that will apply
19 to all programs designated in the integrated system.

20 (b) **REQUIREMENTS.**—Each unified financial and
21 management information system shall—

- 22 (1) be used by all agencies involved in
23 workforce development activities, which shall have
24 the capability to track the overall public investments
25 within the State and unified service delivery areas,

1 and to inform policymakers as to the results being
2 achieved through that investment;

3 (2) contain a common structure of financial re-
4 porting requirements, fiscal systems, and monitoring
5 for all workforce development expenditures included
6 in the integrated system that shall utilize the com-
7 mon data elements and definitions included in sub-
8 sections (b) and (c) of section 206;

9 (3) support local efforts to establish unified
10 service systems, including intake and eligibility de-
11 termination for all financial aid sources; and

12 (4) notwithstanding any other provision of Fed-
13 eral law, supplant federally required fiscal reporting
14 and monitoring for each individual program included
15 in the integrated system

16 **SEC. 308. DEVELOPMENT OF QUALITY ASSURANCE SYS-**
17 **TEMS AND CONSUMER REPORTS.**

18 (a) IN GENERAL.—The State Council shall develop
19 a quality assurance system to complement and expand
20 upon the quality assurance system established in section
21 205 in order to provide customers of job training services
22 with consumer reports on the supply, demand, price, and
23 quality of job training services in each unified service de-
24 livery area in the State.

1 (b) SELECTION OF TOOLS AND MEASURES.—Each
2 State shall select the tools and measures that are appro-
3 priate to the needs of such State, including, but not lim-
4 ited to—

5 (1) collecting and organizing service provider
6 performance data in accordance with information
7 generated from the State Job Training Report Card
8 under section 304(b), the financial and market in-
9 formation system in section 307, and the labor man-
10 agement information system of the State described
11 in section 206; and

12 (2) conducting surveys as appropriate to ascer-
13 tain customer satisfaction.

14 (c) COLLECTION AND DISSEMINATION.—The State
15 Council shall, in conjunction with the local workforce de-
16 velopment board, establish mechanisms for collecting and
17 disseminating the quality assurance information on a reg-
18 ular basis to—

19 (1) individuals seeking employment;

20 (2) employers;

21 (3) policymakers at the Federal, State, and
22 local levels; and

23 (4) training and education providers.

24 (d) ASSURANCES.—Each public and private edu-
25 cation, training, and career development service provider

1 receiving Federal funds under a program in an integrated
2 system of the State pursuant to section 204(a) shall collect
3 and provide the quality assurance information required
4 under this section.

5 **SEC. 309. CAPACITY BUILDING GRANTS.**

6 From funds made available to a State for implemen-
7 tation pursuant to section 204(a) or development pursuant
8 to section 204(b), the State shall develop a strategy to
9 enhance the capacity of the institutions, organizations,
10 and staff involved in State and local workforce develop-
11 ment activities by providing services such as—

- 12 (1) training for members of the local workforce
13 development boards;
- 14 (2) training for staff of any local service pro-
15 vider;
- 16 (3) technical assistance regarding managing
17 systemic change;
- 18 (4) customer service training;
- 19 (5) organization of peer-to-peer networks for
20 training, technical assistance, and information shar-
21 ing;
- 22 (6) organizing a best practices database cover-
23 ing the various workforce development system com-
24 ponents; and

1 (7) training for State and local staff on the
2 principles of quality management and decentralizing
3 decisionmaking.

4 **SEC. 310. PERFORMANCE CRITERIA FOR UNIFIED SERVICE**
5 **DELIVERY AREAS.**

6 (a) **IN GENERAL.**—Each Governor of a State that im-
7 plements an integrated workforce development system
8 under section 204(a) shall, in consultation with the State
9 Council, the local workforce development boards in the
10 State, and employees of any of the job training programs
11 included in the integrated system or the employee organi-
12 zations of such employees, develop criteria to assess the
13 continuous improvement of services offered through the
14 unified service delivery areas of the State.

15 (b) **CRITERIA.**—Criteria developed pursuant to sub-
16 section (a) may include such factors as—

17 (1) placement, retention, and earnings of par-
18 ticipants in unsubsidized employment, including—

19 (A) earnings at 1, 2, and 4 quarters after
20 termination from the program; and

21 (B) comparability of wages 1 year after
22 termination from the program with wages prior
23 to participation in the program;

24 (2) acquisition of skills pursuant to a skill
25 standards and skill certification system endorsed by

1 the National Skill Standards Board established pur-
2 suant to section 503 of the Goals 2000: Educate
3 America Act (20 U.S.C. 5933);

4 (3) the satisfaction of participants and employ-
5 ers with services provided and employment out-
6 comes; and

7 (4) the quality of services provided to hard-to-
8 serve populations, such as low-income individuals
9 and older workers.

10 (c) ADJUSTMENTS.—Each Governor of a State that
11 implements an integrated workforce development system
12 under section 204(a) shall, within parameters established
13 by the Federal Interagency Council, and after consultation
14 with the workforce development boards in the State, pre-
15 scribe adjustments to the performance criteria prescribed
16 under subsections (a) and (b) for the unified service deliv-
17 ery areas based on—

18 (1) specific economic, geographic, and demo-
19 graphic factors in the State and in regions within
20 the State; and

21 (2) the characteristics of the population to be
22 served, including the demonstrated difficulties in
23 serving special populations.

24 (d) USE OF CRITERIA.—The performance criteria de-
25 veloped pursuant to this section shall be utilized in lieu

1 of similar criteria for programs receiving Federal funding
2 included in the integrated system of the State, to the ex-
3 tent determined by the State Council subject to the ap-
4 proval of the Federal Interagency Council.

5 **TITLE IV—LOCAL** 6 **RESPONSIBILITIES**

7 **SEC. 401. WORKFORCE DEVELOPMENT BOARDS.**

8 (a) **ESTABLISHMENT.**—Subject to subsection (b), the
9 local elected officials of each unified service delivery area
10 shall establish a workforce development board (referred to
11 in this Act as a “workforce development board”) to admin-
12 ister the workforce development assistance provided by all
13 the programs in the integrated workforce development sys-
14 tem in such area.

15 (b) **EXCEPTION.**—States with a single unified deliv-
16 ery area with contiguous borders shall not be subject to
17 the requirement of subsection (a).

18 (c) **MEMBERSHIP.**—Each workforce development
19 board shall be comprised of—

20 (1) representatives of business and industry,
21 who shall constitute a majority of the board and who
22 shall be business leaders in the unified service deliv-
23 ery area;

24 (2)(A)(i) representatives of organized labor or-
25 ganizations, who shall be selected from among indi-

1 viduals nominated by recognized State labor federa-
2 tions; and

3 (ii) representatives of community-based organi-
4 zations, who shall be selected from among those in-
5 dividuals nominated by officers of such organiza-
6 tions; and

7 (B) shall comprise not less than 25 percent of
8 the membership of the board;

9 (3) representatives of educational institutions;

10 (4) community leaders, such as leaders of—

11 (A) economic development agencies;

12 (B) human service agencies and institu-
13 tions;

14 (C) veterans organizations; and

15 (D) entities providing job training; and

16 (5) a local elected official, who shall be a
17 nonvoting member.

18 (d) NOMINATIONS.—

19 (1) BUSINESS AND INDUSTRY REPRESENTA-
20 TIVES.—

21 (A) IN GENERAL.—The representatives of
22 business and industry under paragraph (1) of
23 subsection (c) shall be selected by local elected
24 officials from among individuals nominated by
25 general purpose business organizations after

1 consultation with, and receiving recommenda-
2 tions from, other business organizations in the
3 unified service delivery area.

4 (B) DEFINITION.—For purposes of this
5 paragraph, the term “general purpose business
6 organization” means an organization that ad-
7 mits to membership any for-profit business op-
8 erating within the unified service delivery area.

9 (2) LABOR REPRESENTATIVES.—The represent-
10 atives of organized labor under paragraph (2) of
11 subsection (c) shall be selected from among individ-
12 uals recommended by recognized State and local
13 labor federations. If the State or local labor federa-
14 tion fails to nominate a sufficient number of individ-
15 uals, individual workers may be included on the
16 workforce development board as labor representa-
17 tives.

18 (3) OTHER MEMBERS.—The members of the
19 workforce development board described in para-
20 graphs (1), (4), and (5) of subsection (c) shall be se-
21 lected by chief local elected officials in accordance
22 with subsection (e) from individuals recommended
23 by interested organizations.

24 (4) EXPERTISE.—The State Council and Gov-
25 ernor of each State shall ensure that the workforce

1 development board and the staff of the State Council
2 have sufficient expertise to effectively carry out the
3 duties and functions of existing local boards de-
4 scribed under the laws relating to the applicable pro-
5 gram. Such expertise shall include, where appro-
6 priate, knowledge of—

7 (A) the long-term needs of individuals pre-
8 paring to enter the workforce;

9 (B) the needs of State, local, and regional
10 labor markets; and

11 (C) the methods for evaluating the effec-
12 tiveness of vocational training programs in serv-
13 ing various populations.

14 (e) APPOINTMENT PROCESS.—In the case of a uni-
15 fied service delivery—

16 (1) in which there is one unit of general local
17 government, the chief elected official of such unit
18 shall determine the number and appoint members to
19 the board from the individuals nominated or rec-
20 ommended under subsection (d); and

21 (2) in which there are 2 or more units of gen-
22 eral local government, the chief elected officials of
23 such units shall determine the number and appoint
24 members to the workforce development board from
25 the individuals nominated or recommended under

1 subsection (d), in accordance with an agreement en-
2 tered into by such units of general local government
3 or, in the absence of such an agreement, by the Gov-
4 ernor of the State in which the unified service deliv-
5 ery area is located.

6 (f) TERMS.—Each workforce development board shall
7 establish, in its bylaws, terms to be served by its members,
8 who may serve until the successors of such members are
9 appointed.

10 (g) VACANCIES.—Any vacancy on a workforce devel-
11 opment board shall be filled in the same manner as the
12 original appointment was made.

13 (h) REMOVAL FOR CAUSE.—Any member of a
14 workforce development board may be removed for cause
15 in accordance with procedures established by the
16 workforce development board.

17 (i) CHAIRPERSON.—Each workforce development
18 board shall select a chairperson, by a majority vote of the
19 members of the board, from among the members of the
20 workforce development board who are from business or in-
21 dustry. The term of the chairperson shall be determined
22 by the board.

23 (j) DUTIES.—Each workforce development board
24 shall—

1 (1) prepare a workforce development policy
2 blueprint in accordance with section 402;

3 (2) issue an annual unified service delivery area
4 report card in accordance with section 403;

5 (3) review and comment on the local plans for
6 all programs included in the integrated workforce
7 development system of the State and operating with-
8 in the unified service delivery area, prior to the sub-
9 mission of such plans to the appropriate State Coun-
10 cil, or the relevant Federal agency, if no State ap-
11 proval is required;

12 (4) oversee the operations of the one-stop career
13 center established in the unified service delivery area
14 under section 404, including the responsibility to—

15 (A) designate one-stop career center opera-
16 tors within the unified service delivery area;

17 (B) review and approve the budgets and
18 annual operating plans of the one-stop career
19 centers; and

20 (C) establish annual performance stand-
21 ards, customer service quality criteria, and out-
22 come measures for the one-stop career centers,
23 consistent with measures developed pursuant to
24 sections ____; and

1 (5) develop a strategy to disseminate consumer
2 reports produced under section 308 to workers, job-
3 seekers, and employers, and other individuals in the
4 unified service delivery area.

5 (k) **ADMINISTRATION.**—

6 (1) **IN GENERAL.**—Each local workforce devel-
7 opment board shall have the authority to receive and
8 disburse funds made available for carrying out the
9 provisions of this Act and shall employ its own staff,
10 independent of local programs and service providers.

11 (2) **FUNDING.**—Each workforce development
12 board shall receive a portion of its funding from the
13 implementation grant of the State.

14 (l) **CONFLICT OF INTEREST.**—No member of a
15 workforce development board shall cast a vote on the pro-
16 vision of services by that member (or any organization
17 which that member directly represents) or vote on any
18 matter that would provide direct financial benefit to such
19 member.

20 **SEC. 402. WORKFORCE DEVELOPMENT BOARD BLUEPRINT.**

21 (a) **IN GENERAL.**—Each workforce development
22 board shall prepare and submit to the State Council a bi-
23 ennial report, to be known as the workforce development
24 board blueprint.

1 (b) REQUIREMENTS.—The workforce development
2 board blueprint shall—

3 (1) include a list of the key industries and in-
4 dustry clusters of small- to mid-size firms that are
5 most critical to the current and future economic
6 competitiveness of unified service delivery area;

7 (2) identify the workforce development needs of
8 the critical industries and industry clusters;

9 (3) summarize the capacity of local education
10 and training providers to respond to the workforce
11 development needs;

12 (4) indicate how the local workforce develop-
13 ment programs intend to strategically deploy re-
14 sources to better meet the workforce development
15 needs of critical industries and industry clusters in
16 the unified service delivery area and enhance pro-
17 gram performance; and

18 (5) identify actions for building the capacity of
19 the workforce development system in the unified
20 service delivery area.

21 (c) USE IN OTHER REPORTS.—The workforce devel-
22 opment board blueprint may be utilized in lieu of local
23 planning reports required by any other Federal law for
24 any program included in the integrated workforce develop-
25 ment system, subject to the approval of the State Council.

1 **SEC. 403. REPORT CARD. .**

2 Each workforce development board shall annually
3 prepare and submit to the State Council a unified service
4 delivery area report card in accordance with this section,
5 detailing the performance of all workforce development
6 programs and service providers, including the one-stop ca-
7 reer centers, operating in the area that is included in the
8 integrated workforce development system, except that in
9 States with a single unified service delivery area, the State
10 Council shall prepare the report card. The report card
11 shall—

12 (1) report on the relationship between services
13 provided and the local labor market needs as de-
14 scribed in the workforce development board's blue-
15 print;

16 (2) using the quality assurance system informa-
17 tion established pursuant to section 205, include an
18 analysis of employment-related, and other outcomes
19 achieved by the programs and service providers oper-
20 ating in the area;

21 (3) identify the performance of the one-stop ca-
22 reer centers; and

23 (4) detail the economic and demographic char-
24 acteristics of individuals served compared to the
25 characteristics of the general population of the uni-

1 fied service delivery area, and the jobseekers, work-
2 ers, and businesses of such area.

3 **SEC. 404. ONE-STOP CAREER CENTERS.**

4 (a) **ESTABLISHMENT.**—Each workforce development
5 board receiving funds under an implementation grant
6 awarded under section 204(a) shall develop and implement
7 a network of one-stop career centers in the unified service
8 delivery area of the workforce development board. The
9 one-stop career centers shall provide jobseekers, workers,
10 and businesses universal access to a comprehensive array
11 of quality employment, education, and training services.

12 (b) **PROCEDURES.**—Each workforce development
13 board shall, in conjunction with local elected official or of-
14 ficials in the unified service delivery area, and consistent
15 with criteria specified in section 304(a) select the method
16 for establishing one-stop career centers.

17 (c) **ELIGIBLE ENTITIES.**—Each entity within the uni-
18 fied service delivery area that performs the functions spec-
19 ified in **[subsections (e) and (f)]** for any of the pro-
20 grams in the integrated workforce development system
21 shall be eligible to be selected as a one-stop career center.

22 (d) **PERIOD OF SELECTION.**—Each one-stop career
23 center operator shall be designated for two-year periods.
24 Every 2 years, one-stop career center designations shall
25 be reevaluated by the workforce development board based

1 on performance indicated in the unified service delivery
2 area report card and other criteria established by the
3 workforce development board and the State Council.

4 (e) **BROKERAGE SERVICES TO INDIVIDUALS.**—Each
5 one-stop career center shall make available to the public,
6 at no cost, the following basic services:

7 (1) Outreach to make individuals aware of, and
8 encourage the use of, services available from
9 workforce development programs operating in the
10 unified service delivery area.

11 (2) Intake and orientation to the information
12 and services available through the center.

13 (3) Preliminary assessments of the skill levels
14 (including appropriate testing) and service needs of
15 individuals, including the following:

16 (A) Basic skills.

17 (B) Occupational skills.

18 (C) Prior work experience.

19 (D) Employability.

20 (E) Interests.

21 (F) Aptitude.

22 (G) Supportive service needs.

23 (4) Job search assistance, including resume and
24 interview preparation and workshops.

1 (5) Information relating to the supply, demand,
2 price, and quality of job training services available
3 in each unified service delivery area in the State
4 pursuant to section ____.

5 (6) Information relating to eligibility require-
6 ments and sources of financial assistance for enter-
7 ing the programs described in 1____.

8 (7) Referral to appropriate job training, em-
9 ployment, and employment-related education or sup-
10 port services in the unified service delivery area.

11 (f) **BROKERAGE SERVICES TO EMPLOYERS.**—Each
12 one-stop career center shall provide to employers—

13 (1) information relating to supply, demand,
14 price, and quality of job training services available
15 in each unified service development area in the
16 State, consistent with the consumer reports de-
17 scribed in section ____;

18 (2) customized screening and referral of individ-
19 uals for employment;

20 (3) customized assessment of skills of the cur-
21 rent workers of the employer;

22 (4) an analysis of the skill needs of an em-
23 ployer; and

24 (5) other specialized employment and training
25 services.

1 (g) CONFLICTS.—Any entity that performs one-stop
2 career center functions shall be prohibited from making
3 an education and training referral to itself.

4 (h) FEES.—

5 (1) IN GENERAL.—Except as provided in para-
6 graph (2), each one-stop career center may charge
7 fees for the services described in subsection (f), sub-
8 ject to approval by the workforce development board.

9 (2) LIMITATION.—No fee may be charged for
10 any service that an individual would be eligible to re-
11 ceive at no cost under any participating program.

12 (3) INCOME.—Income received by a one-stop
13 career center from the fees collected shall be used by
14 the workforce development board to expand or en-
15 hance one-stop career centers available within the
16 unified service delivery area.

17 (i) CORE DATA ELEMENTS AND COMMON DEFINI-
18 TIONS.—Each one-stop career center shall adopt the core
19 data elements and common definitions as specified in sub-
20 sections (b) and (c) of section 205, and updated by the
21 Federal Interagency Council.

22 (j) OPERATING AGREEMENTS.—

23 (1) IN GENERAL.—Each one-stop career center
24 operator shall enter into a written agreement with

1 the workforce development board concerning the op-
2 eration of the center.

3 (2) APPROVAL.—The agreement shall—

4 (A) be subject to the approval of—

5 (i) the local chief elected official or of-
6 ficials;

7 (ii) the State Council; and

8 (iii) the Governor of the State in
9 which the center is located; and

10 (B) shall address—

11 (i) the services to be provided;

12 (ii) the financial and nonfinancial con-
13 tributions to be made to the centers from
14 elements of the workforce development sys-
15 tem;

16 (iii) methods of administration;

17 (iv) procedures to be used to ensure
18 compliance with statutory requirements of
19 the programs in the integrated workforce
20 development system; and

21 (v) other elements, as required by the
22 workforce development board or the State
23 Council under section 304(a).

1 **SEC. 405. PROGRESS REPORTS.**

2 Each workforce development board shall annually re-
3 port to the State Council on the progress such board is
4 making with respect to the effectiveness criteria of the
5 workforce development board established under section
6 ____, assessing the implementation of the integrated sys-
7 tem, except that in States with a single unified service de-
8 livery area the State Council shall be responsible for carry-
9 ing out the activities under this section..

10 **SEC. 406. CAPACITY BUILDING.**

11 (a) IN GENERAL.—Each workforce development
12 board shall identify actions to be taken for building the
13 capacity of the workforce development system in such uni-
14 fied service delivery, except that in States in a single uni-
15 fied delivery area the State Council shall be responsible
16 for carrying out the activities under this section.

17 (b) FUNDING.—The State Council shall make funds
18 available to the each workforce development board for ca-
19 pacity building activities from funds made available under
20 section 204(a) and any other funds within the integrated
21 workforce development budget of the State. For the activi-
22 ties described in subsection (c), the workforce development
23 board may also submit requests to the State Council to
24 redirect a portion of training and technical assistance re-
25 sources available from any of the workforce development
26 programs included in the integrated system within the uni-

1 fied service development area of the workforce develop-
2 ment board.

3 (c) TYPES OF ACTIVITIES.—Capacity building activi-
4 ties may include—

5 (1) training of workforce development board
6 members;

7 (2) staff training;

8 (3) technical assistance regarding managing
9 systemic change;

10 (4) customer service training;

11 (5) organization of peer-to-peer networks for
12 training, technical assistance, and information shar-
13 ing;

14 (6) organizing a best practices database cover-
15 ing the various system activities; and

16 (7) training for local staff on the principles of
17 quality management and decentralized decisionmak-
18 ing.

19 **TITLE V—MISCELLANEOUS**
20 **PROVISIONS**

21 **[To Be Provided]**

THE WHITE HOUSE

WASHINGTON

September 16, 1994

MEMORANDUM FOR BILL GALSTON

FROM: PAUL DIMOND PD

SUBJECT: ETR -- POLITICAL AND POLICY DIVIDING LINE

I offer the following analysis for your consideration of the appropriate political and policy responses to the anxiety American workers and voters feel about the economy. I hope this will be helpful in your own thinking and in framing the separate discussion with Glynn, Ross, Smith, Sawhill.

Among those who agree that we need to take action to make continuing economic change work as an ally rather than an enemy of the vast majority of Americans, I believe there is at least one major fault line in the debate -- the appropriate role of government and national leadership. There are two camps on either side of this fault line:

- **Institutional Security.** Those who propose creating new (or better working) institutions of government -- witness regional alliances and price control boards for health care; reinventing government so that it works better and costs less; Goals 2000 (at least the portion that relies on the traditional SEA/LEA/AFT-NEA public delivery system), regional Workforce Boards and ES, and consolidating ETR programs to make public schools and local labor markets work better and become more accountable; cost-benefit analyses to make government regulation more efficient; proposals to regulate the communication industries to make sure that supposed have-nots (e.g., schools, libraries, museums) are hooked up to the NII; giving greater flexibility to state and local recipients of federal aid in exchange for meeting stricter performance/accountability standards; telling the American people how we're going to make a successful transition to the 21st century.
- **Opportunity and Responsibility.** Those who propose new approaches to empower families, firms, and communities with increased opportunity to take responsibility for achieving their own destinies in the new economy -- witness the transformation of student loans to enable every person to invest in their own learning; Ross's proposals to build markets to empower all students and workers with the skills, tools and connections to navigate their own careers; DLC Charter Schools; Health and Pension reform proposals based on portability, choice, and competition; use of tax costs (combined with deregulation) to make the market work continuously to limit environmental and health hazards; encouraging the communication industry to engage in a very competitive "land rush" to hook up as many users (and uses) of the NII as rapidly as possible (including schools, libraries, museums, and homes as major

markets rather than have-nots requiring regulatory mandates); providing carrots to encourage the private sector, community-based institutions, state and local officials to build their own plans and partnerships so that the private sector can drive growth within each region, including in the inner cities (e.g., CDBanks, EZ-EC, TLC, School-to-Work); establishing voluntary standards and world class benchmarks to enable consumers and firms to make informed choices based on improving information, goods, and services anywhere in the world (other portions of Goals 2000); engaging in a dialogue with the American people about the diverse ways each family, firm and community can make its own successful transition to the 21st century.

I could provide other examples on both sides of this fault line (and there are some examples, arguably National Service, that straddle this line). Nevertheless, I think the basic division is accurate. I only ask that you consider whether this analysis captures the right metric, scale, plane, axis or framework. If it does, it may help you think harder about your own position; and it may serve as one possible starting point for the discussion with Glynn, Ross, et al.

[Naturally, I have my own tentative views on where we should come out if this is the right framework for analysis. As a matter of policy and politics, I believe that in every substantive area there should be a strong (albeit a rebuttable) presumption that the second camp is right; and that when the President's strategy across all substantive areas is viewed as a whole, that the second approach dominates. Why?

The American public rightly distrusts government, bureaucracy, and monopoly (including in firms, unions, and health care): war, the depression, and the unalloyed power of the big firm during the height of the old industrial economy obviously overcame the American people's basic understanding that freedom, voluntary association, free enterprise, and a variety of overlapping if not shared values and aspirations provide the most effective way to enable the vast majority of American families, firms and communities to move forward. I believe that if you think institutional security is the answer to the current anxiety now, you bear the burden of persuading either (a) what circumstances now require governmental or monopoly institutions or (b) what new types of governmental or monopoly intermediaries will be trusted by the people to promote choice, diversity, free enterprise, and voluntary association.

I think the first case is very difficult to make in most areas: the means of production continue to change in ways that increase choice, put a premium on skills and agility rather than size, and erode even the previously assumed powers of national governments to redistribute wealth and of monopolies to dominate any market. Thus, if the answer to anxiety over the changing means of production is new institutions in any area, these institutions must serve intermediary or mediating functions that promote choice, opportunity, responsibility: so, case by case, there might be a way to invent some new Democrat institutional response to meet the burden of persuasion. But the vast majority of American voters are totally cynical about such proposals. Witness the fate of the regional health care alliances (which supposedly acted as intermediaries to increase choice): most Americans, after due consideration, said "No Way!."

In any event, I'm still open to persuasion, whether through proposing a different framework for analysis or new approaches on either side -- or straddling -- this fault line.



EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET
WASHINGTON, D.C. 20503

SEP 11 3 1994

Memorandum for Tom Glynn, Mike Smith, Ann Rosewater
Bill Galston, Paul Dimond

From: Belle Sawhill

Subject: ETR Training Subgroup Next Steps

My note of September 13th on the ETR process crossed with a paper from the Education Department which I understand has also been shared with the Department of Labor. That paper does a nice job of sorting out the issues on which we as a group have general agreement, from those issues on which we do not. I have a couple of questions about the phrasing and categorization of a few issues; some of the rest of you may have some concerns as well, but I think it is an excellent base upon which to move ahead to resolve our policy issues. I am distributing it to Ann, Bill and Paul.

I have therefore asked Barry White to get together with Ricky Takai and Leslie Loble on Monday (and HHS when necessary) to get staff working groups started on the issues. They should work against the same approximate time table as in my earlier note, aiming for a late October decision paper. Paul and Bill should feel free to contact Barry to participate in the staff discussions as their time permits.

At the same time as the working groups are underway, Barry will continue to develop the decision paper and system vision, working into it the areas of agreement and the fleshed out options on other issues as they are ready. He will circulate drafts periodically. We will need some meetings ourselves to consider issues and formulation of options as the process moves along.

I also want to let you know that the Acting Director has expressed interest in this policy process. She would like to have an informal, small group discussion about it with Secretaries Reich and Riley sometime in the next few weeks. Her office is setting this up.

I look forward to continuing to work with you to move this highly important policy process to completion.



EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET
WASHINGTON, D.C. 20503

SEP 13 1994

MEMORANDUM FOR: Tom Glynn, Mike Smith, Ann Rosewater,
Bill Galston, Paul Dimond

From: Belle Sawhill 

Subject: The Process for Resolving Issues for the ETR Training
Subgroup

Tom Glynn suggests that we need to accelerate our decision-making process if we are to meet the goal of having policy decisions in time for the State of the Union address. I wholeheartedly agree.

We have pretty good consensus on the problems we want to address and on the broad principles that should guide the policy proposals. We are still apart on specific policy proposals and on the scope and legislative strategy for a proposal. I am also aware that in the various interest groups and on the Hill, people know we have been laboring for many months, and believe we have something we aren't sharing. We have to get to a real proposal quickly that can be the basis for the necessary quiet consultations before final decisions are made on Administration policy.

Here is how I propose we move forward:

- o Barry White will do the first draft of an options paper, in consultation with agency staffs and NEC and DPC. He will circulate an outline by September 14. The document does not need to reflect a consensus, but it does need to define the issues well and flag areas of agreement and disagreement in a way that everyone feels comfortable with.
- o Small group meetings and informal discussions between now and Sept. 23 on an as needed basis to work through, or better define, issues identified in outline. Input to Barry by Sept. 23 (sooner if possible).
- o Draft of options paper, Sept. 28.
- o Comments by Oct. 3 to Barry who will distribute.
- o Meeting some time week of Oct. 3 to discuss comments.
- o During this period, we should discuss whether and how to do any outside consultations.

- o Revised draft, week of October 10.
- o Final draft to ETR principals for discussion, guidance, and decision about how to proceed, mid-October.
- o Decisions by late October, in time to influence the budget process, if necessary.

Attached is a list of issues that I think we need to address.

I will be calling to get your comments on this approach and on the list of issues. In the meantime, Barry is working on the outline and will get it to you ASAP.

c.c.: Alice Rivlin
Barry White

ETR: List of Issues

- 1) How do we insure quality programs? What do we know about the effectiveness of existing efforts and what are the best ways of improving outcomes? What are the pros and cons of different approaches (e.g. performance standards, regular evaluations, linking funding to performance, regulation of providers, etc.)?
- 2) How much emphasis should there be on loans vs. grants vs. direct support for institutions? How much do we rely on each now and what are the pros and cons of some options that entail a different mix?
- 3) How do we insure that different subgroups, such as the disadvantaged, young adults (or school dropouts), the disabled, dislocated workers, are adequately served? Are we contemplating any changes in the allocation of resources across these groups, beyond those implied by REA and School to Work? Whatever the allocation, what are the pros and cons of the existing system vs. one organized along less categorical lines? What are our specific options here?
- 4) What, if anything, needs to be done to create a more coherent, less fragmented system? What are the most promising options in terms of consolidation, more reliance on waivers, one stops, standardized information systems? What are the pros and cons of these or other approaches?
- 5) How do we leverage training in the private sector? What are the pros and cons of different approaches (tax credits, mandates, use of the bully pulpit combined with outreach to private sector, etc.)?

September 16, 1994

Note for Bill Galston, Paul Dimond, Ann Rosewater

This paper from ED crossed with Belle's note on the ETR process earlier in the week. You will shortly get another note from her on the subject, saying we will use this array of issues as the basis for moving ahead on issue resolution.

A handwritten signature in cursive script, appearing to read "Barry".

Barry White



UNITED STATES DEPARTMENT OF EDUCATION
OFFICE OF THE UNDER SECRETARY

September 13, 1994

NOTE TO BARRY WHITE

Attached for your review is a "Summary of Areas of Agreement and Issues for Further Analysis" that ED drafted about a week ago, in the hope that this could help to move the ETR process along.

We have circulated this document internally within ED. In addition, we sent it to Leslie at Labor but have not yet received DOL comments.

I'd like to give you a call this afternoon between 4:30 and 4:45 to discuss this, if convenient for you (I'll be in a meeting from 3:15 until 4:15). If not convenient, please let me know what would be a better time (you can leave a message for me on 401-3630)

Ricky Takai
Ricky Takai

Attachment

DRAFT

9/8/94 draft

**ETR Working Group
National Workforce Policy Design**

SUMMARY OF AREAS OF AGREEMENT AND ISSUES FOR FURTHER ANALYSIS

The Administration has made a good start on moving toward a high-quality education and training system for in-school populations, through Goals 2000, reauthorization of the Elementary and Secondary Education Act, the School to Work Opportunities Act, and Higher Education reforms. Together, these initiatives provide a template for systemic education reform and for preparing in-school youth for a first job and for postsecondary education and training. For the past few months, the Employment, Training, and Reemployment (ETR) Working Group has attempted to develop a similar bold vision of a system of education and training for adults.

Papers written by OMB, DOL and ED in the context of the ETR Working Group have examined the problems with the current system, laid out principles for a new system, and begun to discuss options for actions. A review of these papers indicates that there is substantial agreement on the major components of an Administration workforce training strategy, but some specific issues on which agreement has not been reached, in part because additional analysis is required.

This paper is intended to move the ETR Working Group's thinking forward by (1) laying out the key areas of agreement among OMB/WH, ED, and DOL and (2) zeroing in on some of the issues that we have not resolved. These issues could form the basis for an agenda for further analysis and development of options by the Working Group.

A. Agreement on Principles/Goals for an Improved Training System

Overarching Goal: Development of a high-skilled workforce to permit increased business productivity, higher worker earnings, easier transitions between jobs, increased international competitiveness, and opportunities for learning and career advancement throughout workers' lifespans.

Principles/Intermediate Goals

1. To lay out a framework for a streamlined, coherent workforce training system that takes into account the roles of federal, state, and local governments, private businesses, unions, educational institutions, and other providers and consumers of training. The system would be designed primarily for adults, including incumbent workers, displaced workers, immigrants, and individuals (both youth and adults) without a high school degree.

2. To ensure that this training system is standards-driven and focuses on the content and outcomes of training.
3. To design and implement an effective consumer information system at the heart of the workforce training system, to provide information on where the jobs are, what skills they require, and how to get those skills and jobs.
4. To ensure that workers have opportunities to invest in education and training to get good or better jobs, with access to appropriate forms of financial support at all times during their working lives to support their acquisition of better skills and knowledge.
5. To guarantee access for disadvantaged groups to the improved system.
6. To ensure that the private sector is a full participant in the system, with employers investing more in workers' development and sharing information on job availability and skill needs.

B. Agreement on Components of an Improved Training System

The following are components and characteristics that we agree should form part of an improved training system:

1. ONE-STOP CAREER CENTERS

Areas of Agreement:

The core component of a coherent employment training system should be statewide systems of one-stop career centers that would provide the point of access or "gateway" to a range of information, assistance, referrals, and services.

- o The basic model for these centers would be the REA career centers. These centers could provide a range of basic services including some or all of the following: outreach, orientation, and preliminary assessment of skill levels and service needs; more intensive assessment and development of individual employability plans; current information relating to local, regional, and national labor markets (vacancies, skill demands); job search assistance (including job-search skills, job referral, and placement assistance); information relating to education and job training programs (eligibility requirements, services, quality, financial assistance)--including information on on-the-job or other industry-provided training; counseling and/or case management; job development and other work with local employers including soliciting and accepting job orders from employers and providing them with

continuous feedback on job seekers, competencies developed by local education and training programs, etc.

- o **One-stops should be open to all, but should be aimed primarily at adults, particularly incumbent workers, displaced workers, individuals without a high school degree, and immigrants. It is possible that the one-stops could also serve youth seeking postsecondary training. The system should not be aimed at individuals already in the degree-granting postsecondary system, nor at in-school youth, although some one stop services (like labor market information) could certainly be available to school personnel (e.g., guidance counselors).**
- o **The one-stops should be plugged into an information system with both national, state, and local components. Specifically, up-to-date information must be provided on local job openings, skill requirements, training opportunities, providers (including quality information) and entry requirements, and sources of financial assistance. There should be electronic linkages across centers and across state systems to best utilize this information system.**
- o **There would be federal assistance to states to develop their one-stop systems. But states would be required to share a substantial portion of the cost of operating the one-stops.**
- o **States should have flexibility to determine governance arrangements and particular delivery methods, as long as core criteria and services are met.**

Unresolved issues (agenda for further analysis):

- o **Should going to the one-stops be obligatory for certain individuals or for access to certain services? If so, which ones?**
- o **What programs or services should be wholly or partially made available through the one-stops? For example, the Employment Service, UI, JOBS, Adult Education, JTPA? Others?**
- o **What would be the source(s) and amounts of financing for the one-stops? Which current federal funding streams would be partially or wholly diverted to support the one-stops? What would be the relative contribution of the federal government and the states? Would local employers kick in some amount based on services offered to them or some levy on payroll? To what extent would funding be performance-based?**
- o **What would be the range of allowed services and the level of authority and responsibility of the one-stops? Would the one-stops be responsible for ensuring the availability of providers to serve the needs of certain groups? What would be the role of the one-stop in compiling and analyzing post-training outcome data on providers?**

and individuals? Would it be the role of the one-stops to provide quality control, e.g., by certifying that training (or other, e.g., placement) programs were producing good results? Could the one-stops provide or run education and training services? If so, would there be an "honest broker" or other provision to deal with the possible conflict-of-interest? What would be the role of the one-stop in approving/dispersing financial support (education and training assistance, income support, etc.)? To what extent could or should some of the services be provided on a contract basis by private providers (e.g., job development, job placement)?

- o What is the nature of the information system(s) to be implemented at the one-stops? How do we collect program-outcome data? Who controls the system(s)? To what extent do we rely on UI data for follow-up? What do we really intend to include in a labor-market information system (which clearly is not the same thing as an information system on program content and outcomes)?
- o How should one-stops coordinate with related services? For example, should there be integration of JOBS caseworkers into the one-stop system? Should the one-stops replace, compete with, or be comprised of current ES offices?

2. GATEKEEPING AND PROGRAM QUALITY

Areas of Agreement:

In general, we need to improve the level of program quality virtually across the board in education and training for adults. Standards for most training and ABE programs are quite uneven and generally not satisfactory. Program quality ultimately should be judged by participant outcomes; major intermediate system outcomes like obtaining a high-school degree should be considered key achievements enabling participants to get to the point where employment-related outcomes become relevant.

- o The credibility and success of the whole system depends on our ability to screen out inadequate or unsuccessful providers of training and certify and provide information about those that meet certain quality standards (probably determined both by program completers' outcomes and some program-content based criteria--although OMB appears to be advocating using only the former). Programs or providers that do not meet the standards would be eligible neither for referral from the one-stops nor to receive federal financial assistance (or students receiving financial assistance). Training content would have to be consistent with skill standards where these have been developed.
- o In general, we agree that a wide range of providers should be covered by gatekeeping and program-quality standards, including, for example, community-

based organizations and other non-profits that currently would not be covered by HEA Title IV provisions.

- o We also agree that there should be review of one-stops' performance as well as providers' performance, probably at the state level.

Unresolved Issues (agenda for further analysis):

- o Would the universe of covered providers extend beyond those potentially receiving federal support? Would it include training offered by businesses (on-the-job and other) and unions? Would whole institutions, or only specific programs, be looked at?
- o What entity(ies) would fill the gatekeeper role (one-stops, TRIADs, expanded SPREs, other state-level entity, etc.)? Who would determine the criteria for certification? How would consistency of standards be ensured across states? Beyond certification of providers, would there be some additional screening (e.g., would one-stops provide information on all relevant programs to an individual and let individual choice take over, or would they make additional judgments re suitability of a given program for a given individual)?
- o What outcomes would form the basis for judging program performance? How would we define outcomes to be measured (and implicitly, valued) in such a way as not to encourage "creaming?" How would we use outcomes information to ensure "continuous improvement" of programs in addition to for determining sanctions?

3. FINANCING MECHANISMS

Areas of Agreement:

- o Long-term training should be supported through a mix of vouchers (themselves a mix of loans and grants) and institutional support.
- o Training for adults with short-term needs should also be supported, probably through vouchers.
- o The current Title IV student aid system of grants and loans for AA/BA and higher degree granting programs/institutions would remain in place.

Unresolved Issues (agenda for further analysis)

- o What scheme would we use to decide where to use vouchers and where to use institutional support? It has been proposed, but we have not resolved, that characteristics of training and of individuals seeking training would, together, determine the applicability of vouchers or institutional support (i.e., the approach to classifying types of training and populations suggested by the National Academy of Sciences in its report Preparing for the Workplace may be an appropriate starting point.
- o Should "basic education" (through obtaining a high-school degree or equivalent) be covered exclusively through institutional support? What about for those who need ESL services or older adults without a high school degree—would we consider vouchers for these groups/purposes?
- o With respect to vouchers, on what basis would we decide who receives loans and who receives grants? Would we distinguish by type of training or by income of individuals, for example? What proportion of loans would have income-contingent repayment? Would we have a lifetime cap on borrowability of funds?
- o Who (or those in what programs) would be eligible for income-support in addition to training support? How would unemployment insurance be incorporated into this system, and which other sources of funds could be used for living expenses (e.g., ED's financial assistance programs for postsecondary studies)?
- o What proportion of funding for training should come from states? from employers? from the federal government? from workers' pockets?

4. ENSURING THAT DISADVANTAGED GROUPS ARE ADEQUATELY SERVED

Areas of Agreement:

The federal government should continue its commitment to ensure that the disadvantaged (including those without a high school diploma, those with limited English proficiency, and JOBS clients) have access to services.

- o In the reformed system, in general, services to the disadvantaged should be provided through the same overarching system as to all others (i.e., with access through the one-stops). In particular, once initial barriers are removed (e.g., lack of English proficiency, basic literacy and numeracy), the disadvantaged should move into mainstream training services.
- o We agree that some consolidation and rationalization of programs for the disadvantaged are desirable and feasible; however, a bigger—and potentially far more

important--challenge is to improve the content of federally supported programs substantially, since there is little evidence that the current programs produce strong positive impacts.

- o We also agree that some safeguards are needed, which may include maintenance of some separate funding streams, additional services (e.g., case management), or other mechanisms. Furthermore, we agree that outcome-based performance measurement must highlight (separate out/specify) outcomes for hard-to-serve groups to minimize programs' incentive to "cream."
- o The School to Work Opportunities Act should not be viewed as the main vehicle for reforming training for the out-of-school population (although elements of the school-to-work strategy may be applicable to training reform), and the main elements of the Title IV HEA programs serving degree-seeking students should not be considered in this context.

Unresolved Issues (agenda for further analysis):

- o To what extent should there continue to be separate services and funding streams for specific groups (with coordination accomplished by adopting common definitions, funding cycles, eligibility requirements, etc.)? To what extent should these services and funding streams be melded into one (or a reduced number)? If the latter, should there be specific targets and mandates to serve specific populations? Or can the goal of serving the disadvantaged adequately be served by measuring and reporting on outcomes for these groups along with better gatekeeping?
- o What can we actually do to improve the quality of education and training services that serve the disadvantaged? What types of programs and program content actually work and should be emphasized to improve outcomes? Could we use school-to-work as a content framework for programs for adults and out-of-school youth (e.g., by emphasizing integrated academic and vocational coursework, sequenced courses, etc.)? Should we "raise the bar" on the GED to make its content more similar to a high school diploma?

5. ADMINISTRATION AND GOVERNANCE

Areas of Agreement:

- o The federal government's call for coordination needs to be reflected at the federal level, with better communication and coordination across federal agencies and streamlining of programs. We agree that consolidation/coordination/sunset of certain existing federal training programs is desirable, and should take place through a considered, phased process.

- o There should be considerable flexibility for states to design their own governance arrangements. Nevertheless, states should be encouraged to develop state-level training systems that fit into a coherent national framework.
- o Broad waiver authority (at the federal and state levels) is desirable.

Unresolved Issues (agenda for further analysis):

- o While we agree that there needs to be additional coordination at the federal level, we have not selected or designed a mechanism or process to accomplish this (e.g., council, board, or more informal coordination). Who would make common decisions on training policy issues, decide on waivers, serve as a central communication/information mechanism on federal training opportunities and policy?
- o How do we balance operationally the desire to have a coherent framework with the desire to provide states flexibility to experiment and develop their own governance mechanisms? What state and local administrative mechanisms do we think would work?

6. PRIVATE SECTOR INVOLVEMENT

Areas of Agreement:

Our strategy should support the expansion and improvement of training opportunities provided by the private sector.

- o We agree to explore the possibility of supporting Baldrige-like awards to firms that successfully integrate high-quality training into their business strategies.
- o A "go-slow" strategy seems in order, however, with respect to recommending fiscal incentives or mandates for private-sector training.

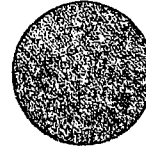
Unresolved Issues (agenda for further analysis):

We have not come to agreement on other options for private-sector involvement, although DOL has offered some interesting ideas that no one has specifically disagreed with (e.g., grants and technical assistance to stimulate formation of training consortia, procurement advantages (if legal) for "high performance" companies, expansion of the workplace literacy programs).

We have not reached agreement on the desirability of tax credits or a training levy, since we believe there has been insufficient analysis of the potential impacts of such measures and building political support for such ideas would seem difficult at best at this time.



EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET
WASHINGTON, D C. 20503



OCT 05 1994

TO: Tom Glynn
Mike Smith
Paul Dimond
Bill Galston

FROM: Belle Sawhill *BS*

SUBJECT: ETR

Attached is a slightly revised version of the two-pager I shared with you earlier. (The only significant change is that the four original options have been collapsed into three.) We will be sending you a somewhat longer paper with pros and cons on Monday. In the interim if you have comments or input, please get them to Barry White.

c.c.: Barry White

OPTIONS FOR REFORM OF ADULT EDUCATION AND TRAINING

This paper identifies four options for restructuring adult employment and training programs, and discusses two issues that need to be resolved whichever option is chosen: how to encourage the private sector to do more training and how to assure quality programs. A strategy for reform of youth programs (vocational education, JTPA youth, School to Work) is addressed separately.

Option 1. Voucher-centered system.

- o Funds would flow directly to individuals as in the GI bill or the current Pell grant program.
- o Vouchers (grants) could be used to purchase employment counseling, placement assistance, skill training and education (below the BA level).
- o The following programs would be eliminated: JTPA adult programs (including dislocated workers), adult education, JOBS, parts of Pell grants (non-BA spending) and vocational education (postsecondary), thereby freeing up \$6-\$7 billion.
- o The current universally available student loans (\$25 billion in capital) would continue, providing additional resources.
- o Vouchers would be available to all, regardless of income, but the disadvantaged would get larger value vouchers and specified shares of the annual sums available.
- o A central labor exchange (the \$.8 billion Employment Service, eventually a One-stop system) would provide: eligibility screening and the voucher; high quality information on job openings, and information on available providers and the types and quality of programs provided.

Option 2. State flexibility.

- o Same funds (as above) flow to States which are then free to build their own systems, either around existing structures (ES, JTPA), or a new one.
- o State plans for use of funds must be submitted and approved based on prospects for achieving measurable outcomes for the target populations. Federal government would require rigorous evaluations and provide technical assistance on effective models. No preferred Federal design initially but over

time a growing share of funds would be distributed on the basis of performance.

- o States would be required to spend the same proportion of the funds on the disadvantaged as they do now. A state match might be required, thereby augmenting the available resources and giving states a stake in mounting effective programs.
- o Variants of this option could entail more federal say in the initial design -- such as use of one-stops as providers of, or contractors for, all services. One stops could be created from existing ES or JTPA system or could be new entities.

Option 3. Incremental Improvement.

- o REA-proposed model: build up One-stop centers; permit States to require more programs to use One-stops as client's point of entry.
- o Current programs and funding streams remain intact, with coordination focused on common point of entry, enhanced labor exchange services and high quality information and counseling. States implement at their own pace.
- o As in REA, a consolidated program for experienced dislocated workers provides them more benefits and training than others.

Crosscutting Issue A. Private sector role.

- o Includes for all Options: (i) Assistance to firms in restructuring workplaces and training workers through technical assistance (MTCs) and best practice information; recognition of firms with best human resource use through Baldrige award. (ii) Improved Targeted Job Tax Credit. (iii) Participation of local business in program decisions (as in JTPA and School to Work) under all three Options. Other options include: tax credits for training and training mandates.

Crosscutting Issue B. Provider "gatekeeping" and quality assurance. Choices:

- (1) Market mechanisms. Competition among providers for vouchers or services contracts, plus full program quality information to users, leads to good providers continuing, bad ones not surviving.
- (2) Regulatory mechanism. Require that providers be "certified" by states, federal gov't, or other accrediting body according to criteria or standards established by Departments in consultation with provider community.

Enrollment in noncertified programs/institutions would not be eligible for public subsidy.

- (3) Incentive system. Create funding formulas (in state grant or one-stop models) that includes incentives for performance.

Note: Require regular evaluations and good data with which to measure performance in all options.

Youth Programs

A separate effort is underway to come up with reform options for youth programs (JTPA, School to Work, vocational education, and TJTC). These options are being developed by the Youth Development group as part of a potential urban initiative. When this work is a little further along, it should be possible to integrate it with the options for adults.

**FAX
EDUCATION BRANCH
OFFICE OF MANAGEMENT AND BUDGET**

TO: Galston

FAX NUMBER:
62878

FROM: BARRY WHITE

DATE: 10-11-

TIME:

NUMBER OF ATTACHED PAGES: _____

NOTES:

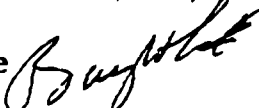
**Our FAX Number: 202 395-4875
Voice Confirmation: 202 395-4532**



EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET
WASHINGTON, D.C. 20503

October 8, 1994

Note for: DOL: Tom Glynn, Ray Uhalde
ED: Mike Smith, Ricky Takai
HHS: Ann Rosewater, Howard Rolston
WH: Bill Galston, Paul Dimond
CEA: David Levine
OMB: Belle Sawhill, Larry Matlack, Bernard Martin, Keith Fontenot

From: Barry White 

Subject: ETR Policy Options Draft, 10/8/94

Attached please find an expanded version of the three page Options summary which Belle Sawhill transmitted to you last week. This version includes additional descriptive material and a first pass at the PRO/CON argumentation for each Option. It draws, where appropriate, from the materials developed by several of the ETR working groups, although I have not yet had time to digest their products received 10/7.

Each of the ETR working groups did produce a very useful document on schedule, despite very tight time constraints. You might thank all the involved staffs. I will package the papers and get them to each agency next week. The ETR working group effort will inform the next draft, and then become part of the next level of more detailed examination of options.

I apologize for the delay in getting this out.

I would appreciate comments by c.o.b. Wednesday, 10/12. I will get a revised draft out by c.o.b. Thursday 10/13, in time to inform the meeting with Alice Rivlin, now scheduled for Friday, 10/14.

If there were problems with this FAX transmission, please call Iratha Waters on Tuesday morning at 395-5880 for another copy.

c: Tony Carnevale

DRAFT 10/8/94 etropt.7**OPTIONS FOR REFORM OF ADULT EMPLOYMENT AND TRAINING**

This paper arises out of the work of the NEC, DPC, OMB, ED, DOL and HHS, who came together at the Chief of Staff's direction in February 1994 to devise new strategies for education, training and reemployment policy. The goal of the Options is to frame a proposal for the State of the Union and the next Congress that will result in increased employment, earnings and productivity of the whole workforce in the economic environment of the future.

The paper outlines three options for restructuring adult employment and training programs. It then discusses two functions (quality assurance and private sector role) that underlie any option, on which work to develop alternatives is in progress.

A separate effort to develop reform options for youth programs (vocational education, JTPA youth, School to Work, TJTC) is underway through the Youth Development group as part of a potential urban initiative. When this work is further along, it should be possible to integrate it with the options for adults presented here.

PROGRAMS AND RESOURCES AT ISSUE

Federal workforce policy has for decades principally pursued two related but distinct strategies: (1) providing a mechanism to facilitate the average worker and job seeker's access to jobs and career advancement, and the average firm's access to job seekers; and (2) providing special services and benefits to the low-income and otherwise disadvantaged segments of the population.

The first strategy is embodied largely in the Employment Service (ES), and benefits under Unemployment Insurance. The second is embodied in a host of programs (GAO identified 154, spending about \$25 billion per year, including the ES, but not UI) of which the seven largest, in three cabinet departments, are at issue in this Options paper.

	1995 BA \$ in billions
<u>Department of Labor:</u>	
Employment Service	.8
Job Training Partnership Act (JTPA) adult (including dislocated worker programs)	2.4
<u>Department of Education:</u>	
Perkins Vocational Education Act (postsecondary estimate)	.3
Adult Education Act	.3
Pell Grants (vocational portion estimate)	2.0
Student loans (subsidy for vocational portion estimate) *	.9
<u>Department of Health and Human Services:</u>	
AFDC/JOBS	1.3
Total	8.0

* Loan subsidies support about \$9.0 billion in loan capital.

An open resource issue is the amount of special benefits under any Option for dislocated workers, who were a focus of the Reemployment Act (REA) proposal. The possibility of extending the expiring .2 FUTA tax (\$2.1 billion over five years), which the REA proposed to do in order to pay for benefits for dislocated workers, is also open.

THE PROBLEM

There are significant problems of impact and integrity afflicting every one of these programs.

- The ES is quite marginal to the labor market experiences of most workers and firms.
- JTPA adult training has shown some modest benefits for participants but gains are uneven and not significant.
- There is little evidence that the Federal funds in vocational education are effective or are effective levers on the ten times larger amount spent by States.
- Adult education is similarly without evidence of impact.
- Pell grants and student loans for vocational training are plagued with abuses by schools and have inadequate quality controls.
- AFDC/JOBS is the subject of a major re-authorization proposal to address its flaws; it is often dependent on the quality of JTPA, Adult education and other services.

Collectively, these resources and services equal but a small fraction of what workers and firms spend on training and career development. These programs are a major statement of the Federal government's commitment to workforce improvement, especially for the disadvantaged, but their impact on the total workforce is marginal at best.

Most importantly, the several statutes, the administrative procedures among Departments, and the related State/local and private sector activities, do not add up a coherent national workforce development strategy.

PRINCIPLES FOR THE INITIATIVE

- o The system should be coherent and user friendly, so that individuals and firms gain access readily and receive high quality services.
- o The system should facilitate individual's lifelong learning efforts.
- o The system should deliver high quality services and provide evidence of results achieved, focus on outcomes, and reward high performance.
- o The system must ensure access for the disadvantaged.

- o The system should be coordinated with and leverage activities of the private sector and States and localities.
- o The system should leverage improved workforce development through creative use of new technology.

OPTIONS

Each option is workable within the current aggregate resource level. New resources could be added to whichever is chosen, if budget priorities permit. **A decision is needed on whether this initiative should be the basis for any FY 1996 Budget decisions or should resource change proposals be deferred to FY 1997.**

Each option addresses primarily the major programs identified above, but any option chosen will be accompanied by strategies for elimination, consolidation, or improvements for the scores of smaller programs (the GAO list) also at issue.

Each option presumes the continuation of the student loan programs as a Federally-run entitlement system. Connections to the options below would occur primarily through new ways to ensure the use of loans only for quality schools and service providers, and possibly new ways to make them more effective for incumbent and older workers.

It is possible to make some minor improvements in the system without new legislation – better interagency coordination; some administrative improvements in performance management and some use of common terms and definitions; rigorous cross-agency evaluation; promoting best human resource development practices within firms. However, only new legislation can make a material improvement in the existing programs for the disadvantaged, and overcome barriers to better services and benefits for the average worker. New legislation is assumed for each option.

Option 1. Voucher-centered system. This option would replace most traditional grants to States and other intermediaries for service delivery within Federal design rules. It would authorize instead, payments to individuals who, with much improved information, could make their own choices on services and training.

- o Funds would flow directly to individuals in the form of vouchers (grants), as in the GI bill and the current Pell grant program.
- o Voucher funds (\$6-\$7 billion) would be derived from the seven major programs, which would, with the possible exception of the ES, be repealed. Their large Federally-mandated State and local bureaucracies would be eliminated, freeing those resources for vouchers, thereby providing additional benefits and services within the same aggregate resource levels.

- o Student loans would continue to be available to individuals, with law changes to address the needs of incumbent and older workers. The income contingent repayment option would continue to be promoted as mitigating the risk of borrowing and easing repayment.
- o Vouchers would be available to all, regardless of income, but education and training for the disadvantaged would continue to be subsidized more heavily. No funds now spent on the disadvantaged would be used for spending on the non-disadvantaged.
- o A central labor exchange (the ES or some other system) would provide to all: eligibility screening for the voucher; high quality information on job openings; information on training and other service providers eligible to accept vouchers (see "Quality Assurance" section below on certification of providers).

Note: Additional special attention is needed to work through how this option might operate for the JOBS program.

PROs:

- o Vouchers and loans reinforce personal responsibility by requiring individuals to make choices, and in some cases, to share in the cost.
- o Responds to the public's anti-bureaucracy, anti-government sentiment.
- o Eliminates costly intermediaries, putting more money into training and services, including counseling and job placement services provided by the private sector (including non-profits) and tailored to the needs of particular groups. Encourages these providers to compete for available funds by providing the most effective services possible.
 - A rough calculation indicates that JTPA Title IIA funds, which serve almost 280,000 people at \$3,800 per person, could support 60,000 more people if funds now going to overhead were converted to funding for vouchers.
- o Experience administering Pell grants and the new Direct Student Loan system indicates that a voucher system is well within the Government's management capability. The problems in those programs are mainly related to service provider quality (addressed below under "Quality Assurance"), not benefit delivery.

CONS:

- o Each current program has a strong interest group and powerful Congressional support; they will fight such radical reform, making enactment highly doubtful.

- o States will likely object to being by-passed as decision makers.
- o Jobs in the State/local intermediary systems will be lost.
- o The Option would protect benefits for the disadvantaged, but their advocates may still attack it because of the loss of institutional support for traditional intermediaries. They may also argue that many of the poor cannot make good decisions on use of vouchers on their own.

Option 2. State flexibility. This Option would replace the current major programs with a grant to each State. The State decides how best to use the funds to provide services and benefits, within a strong required performance management and accountability system.

- o The same funds as in Option 1 flow to the States, initially in the same proportions as now. States are free to build the system they desire, either around existing structures (ES, JTPA) or a new structure.
- o State plans are submitted and approved based on prospects for achieving measurable outcomes for the target populations. The Federal government would require rigorous assessment of results achieved, and provide technical assistance on effective program models. Over time, a growing share of funds would be distributed among the States on the basis of performance.
- o States would be required to spend the same proportion of the grant funds on the disadvantaged as the Federal programs do now. A State match might be required, which would augment resources and give States a stake in mounting effective programs.

PROs:

- o Consistent with the State-led approach that was enacted by Congress in Goals 2000 and School to Work, precedents that should enhance the likelihood of enactment.
- o Would be strongly supported by the States, many of whom are pioneering consolidation and improved services already.
- o Responds to local service manager complaints that the complexity of multiple Federal laws and rules, and Federal auditor/IG interpretation of them, present huge barriers to effective program delivery; service deliverers would be able to focus on serving people's needs in more effective and innovative ways, not on writing reports, allocating costs, and warding off the IGs.

- o Consistent with the National Performance Review and National Governors Association recommendations to consolidate programs and give States a bigger say in the management of resources.

CONS:

- o The quality of design, implementation, and performance management may be as mixed across States as it is under Federal prescription.
- o Does not eliminate bureaucracy as much as Option One.
- o Although the Option would mandate levels of benefits and services for the disadvantaged, their advocates may still not support it, fearing that not all the States will truly support the target populations without more detailed Federal laws and regulations.
- o Congressional supporters of individual programs will resist elimination of their ability to take credit for providing funds and categorical programs for specific groups who support them.
- o The definition and measurement of performance, which is essential for accountability, may be problematic.

Option 3. Incremental Improvement. REA model. This Option would encourage, through a competitive process, the creation of One-stop centers to improve the basic labor exchange function. It would require, or permit States to require, more training programs to use One-stops as client point of entry.

- o This Option builds on those elements of REA that were most positively received in the last Congress.
- o Current programs and funding streams remain intact, with coordination focused on common point of entry, enhanced labor exchange services, and high quality information and counseling. States implement at their own pace.
- o Expands State waiver authority to consolidate programs.

PROs:

- o This is the least threatening Option to the interest groups and Congress and the most consistent with REA strategies the Administration promoted in the 103rd Congress.

- o Accompanied by a careful strategy for helping each State learn what works from the experiments of other States, this Option offers the opportunity to test a variety of approaches, instead of having the Federal government propose radical change to program structures now.

CONS:

- o It is difficult to defend this option as a strong response to the consensus that the current system needs major overhaul. It does not effectively address the GAO 154 programs or deal with the excessive bureaucracy criticisms.
- o It would not be possible to claim that major improvements will occur in the foreseeable future for the most of the disadvantaged or for the average worker or firm.

CROSSCUTTING FUNCTIONS

A. Provider "gatekeeping" and quality assurance.

One of the most vexing problems in student aid and other programs is how to keep training and service providers from taking Federal money while providing poor quality training and services that do not lead to jobs (and often engender huge defaults among the poor). All options need a strong system to prevent this. Further, no current program has solved the problems of how to identify, encourage and reward high quality performance and how to promote the continual improvement of the system.

No fully satisfactory approach has yet been devised for these issues. There are four primary approaches receiving further staff work. They are not mutually exclusive.

- (1) Market mechanisms. Competition among providers for vouchers or services contracts, coupled with giving individuals information on program quality and on provider results in comparison to other comparable providers, should lead to good providers prospering, bad ones not surviving. However, ED's student aid experience indicates that market mechanisms alone may not suffice in a voucher system; providers can too easily take advantage of some applicants.
- (2) Regulatory mechanism. (i) Require that providers be "certified" by States, Federal agencies, or accrediting bodies, according to criteria or standards established in consultation with the provider community (e.g., an enhancement of ED's program integrity system for student aid). Enrollment in non-certified programs/institutions would not qualify for Federal subsidies. (ii) Require programs to incorporate recognized skill standards into their curricula.

- (3) Incentive system. (i) Create funding formulas (in State grant or One-stop Options) that include incentives for performance improvement. (ii) Authorize higher subsidies/payments for those enrolling in higher quality programs. (iii) Publish annual rankings of programs in each area, by performance against standards. (iv) Provide payment in several disbursements, withholding full payment until completion of program and demonstration of skill (or other goal) attainment [there are examples in JTPA].
- (4) Quality assurance system improvement. (i) Create a multi-agency standards and performance management development and research group to test the validity of quality assurance measures, conduct or oversee rigorous evaluation, validate high quality performance management models, disseminate best practices and caution against proven worst practices. (ii) Require improvement of or deny support to poor performers.

Note: Under any Option, there must be regular national level evaluations of net impact, and collection and analysis of good data with which to measure performance.

B. Private sector role.

We want a significant role for the private sector in the administration of training resources, and strategies that recognize the role played by firms in training their own workers. Private sector options all need further development, but are generally agreed to by the agencies and WH staff, and so are presented for information without PROs and CONs. Other options include tax credits for training and training mandates.

- (1) Assistance to firms in restructuring workplaces and training workers through technical assistance (e.g., via Commerce's Manufacturing Extension Centers; consortia of small and medium sized firms) and best practice information; recognition of firms with best human resource practices (modified Baldrige award); loans or loan guarantees for training costs.
- (2) Changes to the Targeted Job Tax Credit to make it effective as a hiring incentive for specific groups.
- (3) Participation of local business in program decisions (as in JTPA and School to Work).
- (4) Use of Federal levers (procurement; regulation) to influence manufacturing quality and workplace improvements.

October 6, 1994

MEMORANDUM FOR BILL GALSTON
GENE SPERLING

FROM: PAUL DIMOND

SUBJECT: ADULT ETR -- MARKET-DRIVEN VS INSTITUTION-
DRIVEN REFORM

Attached is a sketch of what a market-driven reform of all adult education, training, and reemployment ("ETR") -- not just targeted federal programs -- might look like. To understand the genesis for this proposal, this cover memo explores how such a market-driven reform may better fit the terrain of what now exists than institution-driven (or what Bill calls federalism) reform. This analysis may also help us explore whether there are ways to encourage the states to move toward market-driven rather than institution-driven reform, even within the federalism approach that devolves substantial flexibility to the states for operating targeted federal ETR programs as set forth in Belle's Option 2.

1. K-12 Education. The dominant norm is a public institution -- the public school, operated by some 15,000 local districts, with substantial state support and regulation; in the main, choice is limited to opting out of the public system entirely or paying the costs of housing to relocate to a different neighborhood. Goals 2000 and School-to-Work are premised on influencing institutional reform of this public system --e.g., through establishing national goals, catalyzing voluntary performance standards, encouraging leading edge states to show the way, and mobilizing a campaign for excellence with parents, business, educators, community leaders, and elected officials. I think Bill would rightly characterize this as institution-driven or federalism reform.

2. Adult ETR. In contrast, the vast bulk of public and private investment supports individual choice in a mixed, public-private, but nevertheless largely market-driven system: fees for tuition, payments for training, diverse networks for job-changing and hiring are the means of choice for most students, workers, and firms. Even the large state and local public support for public universities and colleges is driven at the point of access primarily by the choice of users (mostly students, although increasingly firms) through payment of a fee. These public, post-secondary education institutions are usually separate from the general state and local governments and have their own independent base of support (through special districts or largely autonomous charters or separate state-wide elections). Within firms, the vast bulk of expenditures on training the workforce is chosen and paid for by the firm; and increasingly, continuous learning is embedded in the daily work of the workers in the workplace. Finally, new waves of learning programming (whether in videos, books, magazines, cassettes, T.V., or interactive media of phones, computers, and other telecommunication networks) increasingly make learning available to adults wherever they are -- in the workplace, in school, at a learning center, or at home.

3. Already Enacted Adult ETR Reform. Not surprisingly, we have already recognized the market-driven nature of the vast bulk of adult ETR: we are transforming the student loan program to make it much easier for any person to invest in their own chosen course of learning and to repay the costs through a small fraction of their future earnings. As the primary work of learning is done by the learner, and the primary benefit of learning accrues to the learner, this transformation of the student loan program not only fits the market driven terrain of Adult ETR: it also gives the individual the opportunity to take responsibility for their own extraordinary achievement, much as the G.I. Bill succeeded in doing for returning veterans after WWII.

We have also articulated a major goal and several relevant objectives for adult ETR, in Goals 2000: "... (6) By the year 2000, every adult American...will possess the knowledge and skills necessary to compete in a global economy and exercise the rights and responsibilities of citizenship." The objectives for this goal include: "(i)every major American business will be involved in strengthening the connection between education and work; (ii)all workers will have the opportunity to acquire the knowledge and skills, from basic to highly technical, needed to adapt to emerging new technologies, work methods, and markets through public and private educational, vocational, technical, workplace, or other programs; (iii) the number of quality programs....that are designed to serve more effectively the needs of the growing number of part-time and mid-career students will increase substantially...." Note that the first objective seeks to recognize a growing reality in the new economy: in most industries knowledge and skill are increasingly important, and the most valuable asset of firms is the skills of their workers. The second objective seeks to empower workers with the opportunity to take responsibility for learning higher skills. The third objective speaks to increasing the supply of providers to increase opportunities for such learning (for example, as the federal government did at an earlier time with the establishment of Land Grant Colleges). Each of these three objectives is entirely consistent with the market-driven terrain of adult ETR, and none requires an institutional approach to reforming adult ETR.

4. Federal, Targeted ETR. What, then, complicates our thinking about the appropriate approach to reform of the predominantly market-driven ETR for most adults and firms? The bulk of federally appropriated dollars (apart from the student loan program) goes to pay for quasi-public, institutional approaches to providing ETR program services to targeted populations -- dislocated workers, disadvantaged, diverse passes at second chances for older youth and adults. Whatever the proposed approach(es) to reforming the crazy quilt pattern of these federally targeted "programs," we ought not let this relatively minor federal ETR tail confuse our thinking: most of the ETR ball game is played on market-driven terrain by adults and firms making choices about where they want to invest their own time and money. Even the bulk of state and local ETR funding supports autonomous public colleges and universities that market their services to individuals and firms.

From this perspective, I ask that you consider the attached outline of a market-driven reform for all adult ETR, starting with the 85-90% of the dollars and transactions that are driven by the market choices of individual adults and firms.

A MARKET-DRIVEN APPROACH TO REFORM OF ADULT ETR:

A NEW G.I. BILL FOR ALL AMERICAN WORKERS

A. The four minimum elements of market-driven reform of adult ETR could include:

- market (and, to the extent necessary, modify) the student loan program so that it can operate as a career credit line (or skill bank) by which any worker can choose the education and training each demands to upgrade their skills, change jobs, or secure career counseling and job networking services for new job opportunities
- encourage workers and firms, e.g., with Sallie Mae or with state support, to join together to use the federal career credit line and firm funding to provide skills training and to embed learning in the workplace
- mobilize firms, community colleges, universities, and successful specialized education, training and job networking providers to join in a campaign to make their market services more readily available to all workers and firms (e.g., through a new award, high performance workplace extension, skills training as an integral part of technology deployment in the service as well as manufacturing sectors, federal procurement policies with suppliers)
- initiate a sensible, cost effective, user friendly approach to labor market, career, and education provider information, which intermediaries and consumer guides may use to add substantial value to individual, firm, and policy users

I do not believe that any of this **necessarily** requires legislation, although it could be a part of a legislative package. [N.B.: To be decided under this non-legislative approach is how to regulate the accreditation of "providers" of services eligible to cash-in the learning/career loans; how to implement and to leverage voluntary adult skill standards in Goals 2000; and how to catalyze the development of an alternative to the GED that is valued by employers, as well as higher education providers.]

B. Three additional elements of market-driven reform that could be helpful that **may require legislation (but not necessarily more funding):**

- provide new learning stipends (including support for job search, job networking and career counseling, as well as a combination of grant/loan support for learning) to veteran American workers who are dislocated after working five years
- individualize extended income support contingent on job search first and shared investment (loan as well as grant) for learning to upgrade skills
- join with States (or other sources of funding) to support (a) firm training of incumbent workers and (b) increasing the supply of education providers (This last provision might get the States and diverse providers more fully on board the total proposal: it could also help to orient the States toward encouraging firms/education providers to develop a learning skill market instead of having

the States use federal "Workforce Development Policy" to try and get control of higher education, which holds a unique position of independence with respect to traditional state and local governments).

In considering this second set of elements, we should examine whether we could pass such legislation through a budget reconciliation process, perhaps under the banner of UI reform and targeting use of the .2% FUTA tax for these three elements, without requiring any authorizing legislation from Education and Labor Committees. Even if such legislation does not pass, however, the President could implement the rest of the market-driven reform as a part of a campaign for 1996 to arm all Americans with the tools they need to take responsibility for competing and prospering in the years ahead.

C. What is the role of "government" and the "UI/ES public office" in this market driven reform? Consider four possibilities:

1. information and clearinghouse functions to which all users should have easy access (perhaps for a fee)
2. gate keeping for dislocated (e.g., qualification for UI benefits)
3. evaluation of providers, firms, markets, jobs, careers
4. non-exclusive provision of job counseling, job-matching, job-networking, talent and job banks

All four of these functions could be devolved to or shared with the states (and/or local labor markets).

D. Finally, what does this say about the reform of the crazy quilt pattern of federally targeted disadvantaged and second chance adult ETR programs? Belle's option 1 is to cash in all of the existing programs (which have no great record of success) for a mix of stipends and learning loans targeted to serve whatever purpose or group is now covered. We could do this across Agencies and for any of the programs that you want. Belle's second option is to devolve authority for consolidation of targeted federal programs to the States; this option could include a package of repealing and consolidating a number of the programs and some mechanism to encourage states to expand market-based reforms of Adult ETR.

My major concern with the second option is that Hill politics may lead to an independent National Workforce Board overseeing state institutional reform based on exclusive regional workforce-UI/ES consortia: this just doesn't fit the adult ETR market-driven terrain, and I don't think it helps the POTUS build a new majority for 1996. If I read the policy and the politics right, adults want and need real choice and opportunity, not the false promise of a new monopoly, governmentally prescribed, institutionally driven workforce "system."

[N.B.: The two major programs for youth ages 16-20 fall into two categories. First, as DoEd recommends, use Perkins secondary ed money to mainstream more youth through learning in the context of work; this fits our institutional reform strategy of Goals 2000 and School-to-Work for the public terrain of K-12 schooling. Second, accept DoL's proposal for a different approach for school drop-outs under JTPA -- build the capacity of intermediaries like CET that will connect drop-outs with a job, provide work support, and encourage learning in the context of work. This fits the market reform approach that we are proposing once any person exits the public K-12 system.]



EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET
WASHINGTON, D.C. 20503

October 13, 1994

Note for: Bill Galston, Paul Dimond, David Levine
Ray Uhalde, Ricky Takai, Howard Rolston
Belle Sawhill, Bernard Martin, Larry Matlack

From: Barry White 
Subject: ETR Working Group Papers

Attached please find a complete set of the papers produced by the six ETR Working Groups.

As you know, there was no time for each group to consult with the others on how issues were being addressed, nor has there been any effort since their completion (October 7) to sort out overlaps and duplications. None of the material has received policy level screening or sign off. It is staff draft input.

Reading through the papers is very worthwhile. All the issues we have been discussing for several months have now been pushed much further ahead; options and implications are spelled out in much greater detail and a lot of creative thought has gone into the material. We have much more to work with than we had before. I think these papers lay a good base for the next stage of our work.

We will presumably work out next steps after the 10/14 Rivlin meeting.

Thank you all for your input and cooperative effort.

attachment

**PHOTOCOPY
PRESERVATION**

NOTE: This policy options paper is a work in progress. Prepared by staff, it does not reflect higher-level policy review. Thus, Departments reserve the right to reject any of the options included in this paper.

Possible Policy Options to Improve Access to Quality Training Services for the Disadvantaged and Dislocated Workers

This paper lays out possible policy options to improve access of the disadvantaged and dislocated workers to quality services. Specifically, the paper addresses two questions:

- o First, to what extent should there continue to be separate services and funding streams for specific groups of customers, and
- o Second, how can we improve the quality of education, training, and employment-related services that for the disadvantaged and dislocated workers?

It assumes the new system under development will embrace the One-Stop Career Center concept to provide all Americans -- job seekers, students, workers, and employers -- with easy access to a comprehensive array of high quality employment, education, and training information and services, managed by a private/public partnership at the State and local levels. It also assumes a common governance structure at the Federal, State, and local levels, and an accountability system.

This paper also assumes the training policies will follow the principles of vertical and horizontal equity in serving the working poor, the welfare poor, and the non-welfare poor. This way we will not leapfrog one group over another or discourage people from working. In other words, our policies should not result in winners and losers among those most in need of services. Our policies also should seek to shore up the low-wage segment of the labor market. This can be done by increasing the human capital of the disadvantaged, reducing dropout rates, retrieving dropouts, and increasing postsecondary education and training enrollment rates. Our policies also should emphasize the provision of performance data on service providers and information on available jobs, allowing adults to choose effective market-driven training programs.

Goal of the New System

The Administration is committed to providing workers with economic security by equipping them with the skills and flexibility that will allow them to face the changing economy with confidence. The improved workforce investment system being established for the American workforce, with attention to the special needs of disadvantaged adults and youth and dislocated workers, should enable its customers to: (1) find a good job, (2) build a career path, and (3) successfully manage their own work life. This new system will provide all

citizens with access to learning opportunities throughout their worklives, and contribute to increased productivity and international competitiveness.

Beneficiaries of the New System

All Americans and employers will have access to information about jobs and education/training and employment services through the improved system. And employers and workers will share the benefits of high quality training. Eighty percent of U.S. gross national product can be attributed to the acquired skills of our Nation's workforce. On average, learning in school and on the job accounts for about half of the differences in what American workers earn.

We have identified four groups that will particularly benefit from the new, improved system. Each group includes welfare recipients. The defining characteristic for youth and young adults in terms of advantage or disadvantage in the labor market is a high school diploma. For adults, evidence of strong or marginal attachment to the workforce is the defining characteristic. Some policies will need to be tailored specifically to the needs of those who find (or will find) it difficult to obtain jobs and build economic security, including:

- o Low-income in-school youth who are seriously at risk of dropping out of high school.
- o Low-income out-of-school youth and young adults without a high school diploma or equivalent who lack the basic and/or occupational skills needed to obtain a good job or to pursue further education or training.
- o Low-income adults with or without high school diplomas or equivalent who have marginal attachment to the labor market and multiple barriers to employment, including a lack of basic and occupational skills, and
- o Experienced workers who have lost their jobs through no fault of their own and have not found new ones, who lack basic or occupational skills that are the prerequisites to obtaining a good-paying job or pursuing further education or training.

About 38.5 million people would be eligible for special intensive services under the new system. Almost three-quarters, or 28.6 million, of these people are economically disadvantaged adults (74.3 percent); nearly 7 percent, or 2.5 million, are dislocated workers; 13 percent, or 5 million, are economically disadvantaged out-of-school youth ages 16 through 24; and about 6 percent, or 2.4 million are economically disadvantaged in-school youth ages 14 through 21. Many may have limited English-language skills. Many may be disabled.

Many dislocated workers and a considerable segment of the disadvantaged adult population share common barriers to getting a good job such as low levels of basic and occupational skills. They can benefit from the provision of many of the same kinds of services through a common, mainstream, market-oriented delivery system. Indeed, 21 percent of families of

dislocated workers were poor in 1990 and 1991, and 48 percent had household incomes under \$25,000. Women and minority workers comprise a significant portion of the dislocated worker population. Women represented 38.8 percent of all dislocated workers in 1990 and 1991; Blacks represented 12.3 percent of the total; and Hispanics represented 10.4 percent. The two groups should be viewed as allies, not competitors, when planning services, even though funding sources and the mix of services may differ.

I. Policy Options for Supporting the School-to-Work Framework

The school-to-work initiative grew out of what we know works. We know that many young people learn better when they have the chance to learn in context, and a key feature of the School-to-Work Opportunities Act is the integration of school curricula and classroom teaching with real work experience. This Act reflects the Administration's and Congress' determination that integrating work and learning appears to have a significant payoff for youth in terms of their academic skills development and long-term employability.

Pending enactment of legislation, we can jump-start the options proposed for low-income youth and young adults during the next year by using the waiver authority under the School-to-Work Opportunities Act. We would provide guidance that strongly encourages States with approved school-to-work plans to request such waivers. We also would use new JTPA regulatory waiver authority to move in this direction. We would encourage State applications for school-to-work that include requests for Perkins and JTPA Titles II-B and II-C resources.

A. In-School Youth Enrolled in Regular High School

For in-school youth who are earning a high school diploma, the template for a coherent in-school education and training component is in place, traced out by the School-to-Work Opportunity framework, GOALS 2000, and the pending reauthorization of the Elementary and Secondary Education Act. We estimate 20,000 - 25,000 students will participate in school-to-work experiences beginning in the fall of 1996, and at least 20 percent could be disadvantaged. The reauthorization of the Perkins Vocational Education Act presents the Administration with another opportunity to advance the school-to-work initiative. Policy options:

1. *Support School-to-Work system through major changes to current delivery system. Restructure Perkins resources to support State and local development of school-to-work systems. Major changes could include:*
 - *Give greater focus on School-to-Work outcomes: high school degree, skills certificate, and at least one year of postsecondary education.*

- Increase flexibility through waivers, allowing Sates and local communities to pool ESEA and JTPA Title II-B funds to support dropout prevention, and academic skills and work skills development.
- Strengthen link between secondary and postsecondary vocational education by reserving a significant portion of Basic Sate Grant funds for secondary/postsecondary consortia.
- Require Perkins State plans to be integrated with GOALS 2000 improvement plans; also require joint vocational education and general education development of these plans.
- Target all Perkins funds (or significant portion) to vocational education programs that follow the School-to-Work model, including the emphasis on helping students meet challenging academic standards.
- Direct resources heavily towards communities with high number of special population students (as current formula does) on the secondary level and sharpen accountability requirements.
- Use JTPA Title II-B Summer Youth Employment and Training Component to link summer work and learning with school-year learning experiences for low-income (including welfare) students who are part of the school-to-work population. Low income students enrolled in schools that are not yet part of the school-to-work framework can participate in complementary experiences. Also enhance SYETP services to in-school youth through:
 - ** Mentoring and summer work experiences -- Providing students with a work-based learning experience.
 - + + + Use summer jobs as a reward for students who stay in school and get good grades, *possibly using a nomination process by teachers/worksite supervisors.*
 - + + + Use adult worksite supervisors and co-workers as mentors to provide guidance and help influence the attitudes, motivation, and goals of students.
 - ** Academic enrichment -- Teaching basic skills in real life and work contexts so that skills taught are relevant to the workplace and that students can apply their skills in a variety of work-related situations.
 - ** Multi-summer work and college preparation -- Offering multi-summer experiences with interim school-year follow-up services through an

enhanced STEP model. (STEP achieved some short-term improvements in students test scores.)

- +++ Strengthen experiences through links with the Upward Bound summer component and TRIO programs.
- ** Career exploration and guidance -- Covering a range of opportunities and exposure to industry.
- ** Authorize flexibility for some year-round follow-up services such as tutoring and counseling with schools and school-to-work.
- Make improved career information available for all high school and junior high students and their families by encourage schools to establish electronic and other linkages with the improved labor market information system accessible through One-Stop Career systems. This also may involve staff training to improve career counseling services available to students.
- Use Dropout Prevention Demo program (\$25 million) to test specific models that support School-to-Work and the GOALS 2000 initiative.

Pro's:

- Accelerates development of School-to-Work systems and strengthens students' ties with mainstream education.
- Consistent with the available evidence that more comprehensive, work-focused approaches work.
- Maintains funding stream targeted to disadvantaged youth to local communities and continues to allow (within Federal and State rules) local communities to design their own programs.
- Will enable and encourage local communities to offer comprehensive programs, including the use of summer work as an incentive to stay in school and perform well.

Con's:

- Subject to criticism that Administration doesn't go far enough in consolidating resources.

- Focusing Perkins only on high school students would displace services currently offered to out-of-school youth and adults (with or without high school diplomas) through alternative schools and community colleges.

2. *(In addition to Option 1) Expand waiver authority that encourages States and local communities to create comprehensive model programs. States could apply -- with local elected officials' agreement -- for waivers to merge in-school resources from School-to-Work, Perkins, JTPA II-B (Summer Youth Employment and Training Program) and II-C (Year-Round Youth Program), the summer component of Upward Bound and TRIO in exchange for increasing the quality of services to at risk high school youth. (Local areas also could apply -- with State signoff -- for waivers. States and local areas applying for a waiver would commit to a rigorous evaluation. Administration would need to establish a body to coordinate waiver requests.*

Pros:

- Increases knowledge base about what works for low-income in-school youth.
- Consistent with Administration's voluntary approach to changing educational systems and broadens current waiver initiatives.
- Addresses GAO criticism of multiple Federal programs with overlapping purposes.
- Consistent with reinvention, allows State and local areas the flexibility to do bottoms-up planning and design.

Con's:

- ~~Exceeds current waiver authority in school-to-work because it allows the basic purposes of the School-to-Work program to be waived.~~
- Provides a "passive" Federal role.

3. *Create Youth Development Grant for in-school youth by merging Perkins, JTPA Title II-B, and some ESEA, JTPA II-C, Title IV of HEA, JOBS, and TRIO resources. This would establish a major Administration initiative to support State and local development of school-to-work systems. Local communities would be required to target a portion of resources for disadvantaged students, including provision of critical services to decrease school dropout rates for disadvantaged youth seriously at risk of leaving school. Local communities would use a considerable portion of these funds to:*

- Create smaller "schools within schools," present academic learning in the context of occupations, and integrate occupational and academic skills instruction.
- Replicate Quantum Opportunities program (which provides an array of services from the 9th grade through high school graduation) and other dropout prevention models that work.

Pro's:

- Accelerates development of School-to-Work systems for in-school students.
- Addresses GAO criticism of separate programs with related goals serving similar populations.
- Provides coherent approach to address the needs of in-school youth, including those at serious risk of dropping out.

Con's:

- Raises concern that by combining funds, services to disadvantaged youth -- especially those at risk -- would be diminished and many seeking services may have difficulty gaining access.
- Changes funding flow of JTPA -- from going directly to local areas to institutions, creating serious political concerns.
- May be difficult to move through Congress.

B. Policy Options for Second Chance Component for Young Adults

In 1992 3.4 million young adults ages 16 - 24 were high school dropouts, and 383,000 high school students dropped out. Roughly 50 percent of out-of-school American youth (aged 16-24) without a high school degree are unemployed. Among young black high school dropouts, over 70 percent are jobless. For young Hispanic high school dropouts, about 50 percent are jobless. These youth are neither earning nor learning. And many are so persistently without work through their twenties that they risk becoming permanently alienated from the legitimate economy. (By age 29, about 40 percent of all dropouts have never held a job lasting three years or more.)

There is a great disparity -- in the magnitude of billions of dollars -- between public investment in the education of young people who go on to college versus those who do not. The public invests roughly \$5,500 in total educating a high school dropout between the ages of 16 and 24 -- \$3,800 while s/he is in school and \$1,700 after s/he drops out. In contrast,

we spend \$10,800 in public funds educating a high school graduate and nearly \$25,000 educating a college graduate. (This disparity is magnified if the money parents spend on their children's education is included.) The public does spend a huge amount of resources on many young adults who drop out of school or do not go on to college in the form of AFDC, Food Stamps, Medicaid, public housing, and criminal justice costs. One national study estimates that the loss to the nation (in productivity and taxes) is \$60,000 for each school dropout.

The Center for Employment and Training (CET) model in San Jose has performed well in random assignment evaluation of two separate target groups – school dropouts and young adult female single parents. One reason for its success is thought to be a clear focus on work. CET staff place great emphasis on the tasks of teaching an occupational skill and finding a career track job for students. In general, programs with strong work orientations have performed better than those taking a "warm and fuzzy" approach without an emphasis on responsibilities and adherence to rules. Disadvantaged youth also appear to benefit from programs that offer support services after they obtain jobs, especially for the first two years when youth move from job to job before settling into a career progression.

Currently inner-city, predominately minority high schools have dropout rates of around 50 percent. Predominately Hispanic high schools in Chicago have had dropout rates as high as 70 percent. Such high dropout rates must be addressed. It makes economic sense to continue to push youth seriously at risk of dropping out to graduate from high school and help them continue postsecondary training. The limited set of random assignment studies of dropout prevention and college-bound programs undertaken to date suggests that such programs can boost the educational attainment of disadvantaged youth.

1. *Consolidate JTPA Titles II-B and II-C into a new program aimed at decreasing high school dropout rates among low-income youth seriously at risk of leaving school and retrieving young adult dropouts and enrolling them into alternative programs within the school-to-work system.* Since there are high returns to additional years of training, this program would emphasize work-based contextual learning -- linking academic and occupational instruction, related work experience, adult mentoring, and employer involvement to keep youth in school or help them return to a learning program. It would:

– Keep seriously at risk students in school by:

- ** Creating smaller "schools within school," presenting academic learning in the context of occupations and workplaces, and integrate academic and occupational instruction.
- ** Replicating Quantum Opportunities program and other dropout prevention programs that work.

- ** Authorizing funds for developing and maintaining business/school partnerships.
- ** Using summer jobs to connect summer and school-year learning experiences for low-income students who are part of the school-to-work population and complementary experiences for those enrolled in schools that are not yet part of the school-to-work framework. See pages 4 and 5 for more detail on summer jobs.
- Encourage school dropouts to enroll in alternative learning environments by:
 - ** Linking work-based learning and academic instruction through the use of school-to-work models such as apprenticeship, Center for Employment Training (CET), Youthbuild, and on-the-job training.
 - ** Teaching critical basic and more advanced academic skills and work skills in work context and promoting competency-based open-entry and exit instruction tailored to young adults.
 - ** Expanding opportunities to mix classroom instruction with work experience, internships, National Youth Service, and conservation corps activities.
 - ** Developing/participating in small, alternative learning centers for dropout recovery that offer a work-based approach.
 - ** Offering adult mentoring and networking support, support services, case management, and up to two years follow-up after job placement.
- Link to other youth development programs and services, including Perkins, Adult Education, Title IV, JOBS funds for young mothers, Youth Fair Chance, and others.
- Require dedicated funds for developing and maintaining school partnerships with business and unions.
- Use outcome-based accountability and management systems.

Pro's:

- Allows schools to use II-B and II-C resources for dropout prevention and to focus assistance on youth and young adults in their early 20's when they should be entering jobs with a career track.

- Sharpens focus on work and work-based learning elements of CET and other programs that are effective; is consistent with conclusions of the Administration and Congress about what works -- learning in a work context and integrated academic and work experiences.
- Emphasizes -- consistent with Administration's notion of a social contract -- mutual responsibility of young people and programs.

Con's:

- May raise Congressional and stakeholder concern that by combining funds, in-school population seeking summer jobs may lose resources.
- Subject to criticism that this doesn't go far enough in addressing needs of this hard-to-serve group. Some argue that given poor results, it is hard to justify retaining the existing service delivery structure.
- May create a separate School-to-Work "track" for the disadvantaged.

1.a: Use only JTPA Title II-C to support a Second Chance School-to-Work Component for School Dropouts and Those at Risk of Dropping Out. The Administration can target the existing JTPA II-C program on high school students seriously at risk and school dropouts 16-24 years of age (up from age 21). JTPA Title II-B would continue to support school-to-work by providing summer jobs and academic enrichment for students.

Pro's:

- See pages 9 and 10.

Con's:

- See this page (above).
- Gives Administration no "consolidation" credit.

2. *Transform some or all of Title II-C resources into authorization for national youth demonstrations and experiments targeted to the severely disadvantaged.* This would create an expanded Federal role in evaluating these experiments, identifying and disseminating what works, and helping States and localities replicate model programs/practices.

Pro's:

- Presents bold direction to expand our knowledge of what works for out-of-school youth and young adults.
- Responds to critics who do not want to retain existing delivery system.

Con's:

- Repeats 1970's Youth Employment and Demonstration Projects Act passed under the Carter Administration that authorized national youth experiments, exposing Administration to critics who believe direction is not bold.
- Substitutes series of longer-term demonstration grants for formula-based funding will be politically unpopular.

3. Fund Job Guarantee in Youth Fair Chance to address the employment problems of youth and young adults in high-poverty areas. This would take advantage of YFC's concentrated employment feature to fund a series of private and public sector programs in YFC sites aimed at increasing the employment rates of young adults to 80 percent. It would supplement school-to-work high-poverty urban/rural partnership grantee efforts. It would build upon the YES concept developed for the crime bill and is based, in part, on the Entitlement Demonstration of the late 1970s which showed that concentrated jobs programs can boost the employment levels of inner-city minority youth. It would guarantee jobs to youth and young adults who meet school attendance and performance standards.

Pro's:

- Complements the Administration's Crime Prevention, Welfare Reform, and Empowerment Zone initiatives.
- Encourages private/public collaboration.
- Adds funds to existing authorization.
- Emphasizes mutual responsibility of young people and programs.

Con's:

- Requires a considerable investment, giving critics opportunity charge "waste."

II. Policy Options for Ensuring Access to High-Quality Training/Employment Services for Adults

Many economically disadvantaged adults and AFDC recipients have special needs that can be addressed only through the provision of high-support services tailored to meet their needs. For example, targeted services will be needed for those who lack the basic skills required to succeed in specific occupational training. Similarly, targeted services will be needed for those who have at best only marginal attachment to the work force because of their inability to cope with family and personal and workplace demands.

Random assignment evaluations of JTPA and State welfare-to-work programs suggest that job training programs for disadvantaged adults can produce modest increases in the post-program earnings of enrollees in a cost-effective manner. They show that JTPA is cost-effective for adults (with earnings gains for disadvantaged adults in the range of \$900 - \$1,000 per year) and have identified particular interventions that seem to work better for these individuals, such as on-the-job training and work-based contextual learning. For many adults, however, the increases are not enough to move the severely disadvantaged out of poverty. Additional supports linked to work may be necessary to improve the knowledge, skills, and job connections of adults.

This paper assumes that disadvantaged adults will have access through the mainstream One-Stop Career Center system to quality information on jobs, education and training services, financing options, and supportive services. (The One-Stop subgroup will provide design options for the One-Stop system.)

A. Disadvantaged Adults with Marginal Attachment to the Labor Force

There are over 28 million economically disadvantaged adults (including welfare recipients) with multiple barriers to employment eligible for JTPA services. An important target group of this component consists of economically disadvantaged adults -- older women, women without children, and men -- and adults with other serious barriers to employment, such as the disabled and persons with limited English-speaking ability. Building strong communities and local economies will require significant investment in the skills of the disadvantaged, so they too can respond to the changing economy and become economically self-sufficient. Options:

1. *Retain structure with major changes.* Continue JTPA Title II-A program for disadvantaged adults with marginal attachment to the labor market. Major changes would include:
 - Emphasize strategies that we know work, such as concurrent education and training and teaching of critical basic and more advanced academic skills in the context of work to enable adults to meet challenging academic standards.
 - Encourage programs to maintain contact with participants for a two-year period (currently one-year) following job placement.

- Make other structural changes -- for example, to cost categories -- so JTPA more closely resembles the current REA proposal for dislocated workers.
- Make referrals to education or training services on an individual or choice basis similar to the customer-choice approach for dislocated workers, moving JTPA away from purchasing "class-size" training for adults. This approach will benefit rural areas where limited services are available.
 - ** Providing choice-based financial aid for tuition, related costs, and income assistance.
 - ** Administering financial assistance through the JTPA program.
 - ** Emphasizing contextual learning and work-based learning, including on-the-job training as a proven training method.
 - ** Documenting referrals in individual employment plans based on the results of each person's assessment and joint decision-making with a career counselor.
 - ** Where providers are limited, maintaining the ability to purchase "class size" training.
- Emphasize mutual program and personal commitment and responsibility through a "contract."
- Seek waiver authority for JTPA II-A -- except for basic purpose of the Act -- to provide greater flexibility for States and local communities.

Pro's:

- Underscores Administration's commitment to the disadvantaged, responding to concerns voiced by civil rights and other advocacy groups.
- Builds upon what we know works and is consistent with the REA proposal for dislocated workers and the Clinton Administration's FY 1994 and FY 1995 budgets -- and Congressional agreement -- to expand investments in this area.
- Connects basic skills instruction to customers' individual vocational goals.
- Makes JTPA more market-driven.

Con's:

- Cannot be billed as a bold change to improve services to the disadvantaged.

Suboption 1.a.: Concentrate JTPA resources on those persons who are not targeted by welfare reform/JOBS program -- disadvantaged older women, women without children, and particularly men. During PY 1992, JTPA Title II-A spent about # percent of its funds on welfare recipients.)

Suboption 1.a.: Consolidate adult education with JTPA Title II-A resources and focus on basic skills related to employability. Since disadvantaged adults will have access to assessment and employment planning through One-Stop, Adult Education resources could be consolidated in the high-support component to help address identified needs such as basic skills deficiencies, the lack of high school diploma, and/or language proficiencies needed for work.

Pro's:

- Provides a more rationale, coherent way of targeting scarce resources.
- Gets resources down to the local level and focused on employment.

Con's:

- Reduces literacy and ESL services for non-poor individuals, and for poor individuals not in the labor force.
- Changes the State role in allocating and using adult education funds.
- Ignores non-employment-related purposes of Adult Education.

2. *Support Administration's welfare reform proposal that encourages States to integrate JTPA and JOBS/WORK service delivery. The welfare reform proposal changes current law to allow Governors to select the State agency that will administer the JOBS/WORK program. It requires States with One-Stop Career Center systems to integrate JOBS into One-Stop by providing "front-end" services to adult AFDC recipients. It links JOBS with the WORK program. This means the same agency responsible for workforce preparation is responsible for the WORK program (including job creation). We would build on the linkages between JOBS and JTPA to provide States an opportunity to request waivers.*

Pro's:

- Builds on State's efforts to coordinate JOBS and JTPA -- # States manage integrated service delivery for JTPA and JOBS customers.

- Enriches JOBS program through JTPA efforts to integrate skill standards and work-based learning into their programs for AFDC recipients.

Con's:

- May cause difficulties for States and local areas because the mandatory nature of JOBS requires costly case management involving close monitoring for participation, progress, time limits, and accountability that would not be required for non-JOBS customers.
3. *In addition, seek broader waiver authority to allow States and local communities to integrate JTPA Title II-A, Adult Education, JOBS, Food Stamps Employment and Training, Title V of the Older Americans Act, and other selected training and employment programs into a high-support system for disadvantaged adults. States could apply -- with local elected officials' agreement -- for statutory and/or regulatory waivers. Waivers would be granted to those States that advance integration and exchange higher standards of accountability for greater flexibility in achieving those standards.*

Pro's:

- Represents considerable reform, responding to Congressional and GAO criticism of fragmented system.
- Allows States and local communities flexibility to advance integration if they so choose.
- Continues to recognize the special needs of the disadvantaged.

Con's:

- Results in uneven services to the disadvantaged across States.
 - May generate considerable opposition from civil rights and other advocacy groups; may be difficult to move through Congress.
4. *Use choice-based financial aid system (voucher) for disadvantaged adults. For the disadvantaged, we could propose to couple vouchers with access through One-Stop to counseling, job search assistance, case management, and support services. JTPA Title II-A, adult education, JOBS resources, and a portion of Title IV of HEA would provide "up-front" services, basic skills and ESL services, supportive services, OJT, and pay for administrative costs. The system could include Federal requirements for joint decision-making by a career counselor and a customer about an employment plan based on assessment results. Individuals would be certified to receive vouchers*

(a package of grants and loans) for up to an AA degree or two years of occupational skills training and income support. This would mean:

- Phasing in the financial aid system based on State and local commitment to design and implement statewide One-Stop systems.
- Requiring mutual agreement between the counselor and customer about referrals to education, training, support services, or other organizations. This also would include assurances that emphasis is placed on targeting grants to low-income people -- and cautions about incurring excessive indebtedness.
- Directing the Department of Education to administer JOBS, JTPA II-A, and Title IV resources for occupational training; vouchers would be consistent with individual employment plans in coordination with State and local programs for the disadvantaged.
- Making a considerable investment to ensure that necessary income support for disadvantaged adults enrolled in longer-term training is available.

Pro's:

- Signals a reform of the system, but ensures that high-risk individuals who require considerable preparatory services can access them.
- Is consistent with Administration's notion of a social contract, with mutual obligations by the government and its citizens.
- Builds on Education's experience with student financial aid.

Con's:

- May create political battles with civil rights and other community-based organizations and Congress if identifiable resources for the disadvantaged are diminished.
- Substitutes voucher program for formula-funded programs -- such as JTPA -- whose funds go directly to local areas.
- Changes education/training institution role by providing vouchers directly to customers, creating resistance by such institutions.
- May raise concerns about difficulty of coordinating local preparatory, ongoing case management, and support services with Federal administration of vouchers; about possible service delays for individual customers; and quality control and potential fraud and abuse.

III. *Policy Options for Experienced, Unemployed Workers*

DOL based the design of its new comprehensive dislocated worker program on "what works" for experienced workers. Key study findings included: (1) early intervention helps workers find new job opportunities quickly; (2) job search assistance speeds up workers' reemployment; and (3) post-secondary longer-term training pays off for those who need it. DOL is pursuing both administrative and legislative efforts to create the new system which consolidates existing job training legislation authorizing separate programs for permanently laid-off or dislocated workers. Policy Options:

1. *Broaden the reach of the dislocated worker component to explicitly include low-income, unemployed workers who are qualified to enter intensive training without significant preparatory work or supportive services.* This would have a goal of eventually helping 20 percent of these workers in any one year acquire better jobs. Other major changes include:

- Extending income support to dislocated workers and low-income unemployed workers who need long-term training through both mandatory (0.2 FUTA surcharge) and discretionary funding mechanisms.
- Strengthening program operations through the identification of potential long-term unemployed workers and the provision of early intervention services, individualized reemployment plans, customer choice of training providers, and longer-term and customized training.
- Marketing student loans to promote dislocated workers to invest in their own learning through the use of direct loans with income contingent repayment options.

Pro's:

- Addresses concerns of civil rights and advocacy groups by treating permanently laid-off workers and the working poor similarly.
- Recognizes that for many low-income workers obtaining a better job -- rather than another in a string of low-paying jobs -- requires a considerable investment.
- Builds on Administration's REA proposal and is consistent with administrative efforts to improve the current dislocated worker program.
- May free up discretionary resources from training since grants and loans would be used extensively.

Con's:

- Increases discretionary costs over time for training and other services ~~since eligibility pool is expanded.~~
- ~~Increases mandatory costs and~~ possibly, raises concern about the most appropriate use of FUTA resources.

2. *Use structured voucher system for disadvantaged adults, dislocated workers, low-income unemployed workers, and other adults.* ~~We would propose to~~ Couple vouchers with access through One-Stop to counseling, job search assistance, case management, and support services as appropriate. Grants and income contingent loan packages would pay for ~~an AA degree or two years~~ of education and training and provide income support for those persons not eligible for retraining income support. JTPA Title II-A, adult education, JOBS resources, and a portion of Title IV of HEA would provide "up-front" services, basic skills and ESL services, supportive services, OJT, and pay for administrative costs. The system could include Federal requirements for joint decision-making by a career counselor and a customer about an employment plan based on assessment results. Vouchers would be available through One-Stops or accredited education/ training providers such as community colleges, four-year colleges, or proprietary schools. This would mean:

- Phasing in the voucher system based on State and local ~~commitment to~~ design and implement of statewide One-Stop systems.
- Requiring mutual agreement between the counselor and customer about referrals to education, training, support services, or other organizations. This also would include assurances that emphasis is placed on targeting grants and other resources to low-income people -- and cautions about incurring indebtedness among those at risk.
- Making student loan programs more responsive to the needs of dislocated and incumbent workers. Changes would be made to ensure that loan options better fit:
 - ** The personal circumstances of students -- including current financial status for dislocated workers, skill levels, and head of household status.
 - ** Occupational or academic nature of programs/courses.

NOTE: A recommended revision is to differentiate between vocational training and academic aid. The pro's are: provides customers seeking training with better services through One-Stop than they likely would receive on their own and allows Education to

regulate the vocational training and academic sectors separately. The con is that it could be perceived as elitist or discriminatory by customers or training service providers.

** Short-term and ~~versus~~ longer-term training.

- Making a considerable investment to ensure that necessary income support for disadvantaged adults enrolled in longer-term training is available.

Pro's:

- ~~Creates signals-reform-of-the-~~ universal system, but ensures that high-risk individuals who require considerable preparatory services can access them.
- ~~Empowers individuals to make meaningful choices.~~
- Is consistent with Administration's notion of a social contract, with mutual obligations by the government and its citizens.
- Ensures horizontal and vertical equity with addition of dislocated and low-income, unemployed workers.

Con's:

- May create political battles among civil rights and other advocacy groups and Congress; will be difficult to move through Congress.
- ~~Substitutes voucher program for formula-funded programs—such as JTPA whose funds go directly to local areas.~~
- ~~Risks adverse effects on low-income populations.~~
- Possibly creates situation in which high-risk individuals who require more expensive services -- such as intensive remediation -- may not find high-quality providers ~~and could result in more defaults, indebtedness, and ineffective training.~~

Suboption 2.a: Department of Labor would administer a financial aid account covering tuition and associated training costs and income support through FUTA.

Suboption 2.b: Labor would administer financial aid account covering occupational training tuition and income support.

Suboption 2.b: Education would administer a financial aid account that covers tuition and associated training costs and income support.

ETR INTERAGENCY ONE-STOP TEAM

DRAFT ISSUES/OPTIONS PAPER

OCTOBER 6, 1994

BACKGROUND

An interagency One-Stop team was recently formed to develop policy options regarding major issues for the ETR Work Group. This paper contains three sections: (1) a short summary describing the One-Stop concept which includes a description of labor market information data, products and systems needed; (2) a statement of assumptions which frame the analysis of the issues and were culled from ETR Work Group products; and (3) issue statements and options for the following seven major issue areas:

- Consolidation as Goal?
- Programs Included?
- Services Provided?
- Disadvantaged Served?
- Mandatory or Voluntary Implementation?
- Build upon a Revitalized Employment Service?
- One-Stop Funding?

There are also two attachments provided for reference information: (1) "Selected Federal Employment and Training "Programs" per GAO Report; and (2) Thumbnail description of the One-Stop Proposal contained in the Reemployment Act of 1994.

ONE-STOP/LMI CONCEPT

DOL's concept of a One-Stop Career Center System, which it is about to invest in, is based on four central features:

- o It's Universal. Everyone – individuals, employers, students, professionals – has access to information on careers, labor markets, jobs, and the availability and quality of education and training courses. Individuals get basic help on how to find a job including preliminary assessment and testing to review their career interests, skills,

knowledge, and abilities. Individuals can find out if they are eligible for any employment and training public program.

- o It's Customer-Focused. The system is easy and convenient to use. Customers know how to get help, and use the option that best suits their needs – e.g., go to the One-Stop office, access through a PC or public kiosk at convenient hours. Customer satisfaction with services is measured and the information is used to improve services.
- o It integrates employment, training and education programs, services and governance structures. Certain programs are available through every One-Stop – some are exclusively provided here (e.g., the Employment Service), some may be available both here and at other places (e.g., JOBS), and others may only be available through referral to other places (e.g., Student Financial Aid). Services would also be integrated so that certain service functions – like intake, assessment, and testing – would be done once for all included programs; other services, like a job bank, would support the One-stop system and all related programs so that it doesn't have to be duplicated; and even intensive services like the individual service strategy could apply across several programs. State and Local program operators must develop a design to integrate the governance of the system in order to provide a broad-based, customer-focused, delivery of programs and services.
- o It has clear outcomes to achieve and is accountable for performance. Performance is measured regularly against clear outcome goals and consequences for nonperformance are in place and used.

A critical component of the One-Stop Career System is the investments DOL is also making to improve information available and the systems to use the information through America's Labor Market Information System (ALMIS). The overall goal is to directly provide customers with information, products, and tools that will enable them to make informed choices about careers and jobs. These will include: electronic job banks with more jobs, electronic want ads, and electronic talent banks; projections regarding State and local occupations and skills needed for demand occupations; standard wage information; "consumer" reports regarding the quality of employment and training courses; and highly accessible systems (e.g., Internet) for delivering the information. Individuals, employers, and professionals will be able to directly plug into this rich data through the One-Stop system on the job and career lanes of the information highway. Customers could search for and land a job without ever directly contacting anyone that works in the system. This system will also enable the electronic co-location of programs/services, and a "no wrong door" approach in some communities for basic front-end services.

ASSUMPTIONS

- o A One-Stop Career Center System should be a key element of a streamlined, coherent national workforce training system which provides a point of access to a wide range of information, assistance, referrals, and services.
- o The One-Stop system should be designed to serve primarily adults for example, incumbent workers, unemployed workers, displaced workers, individuals without a high school degree, immigrants, and possibly youth seeking postsecondary, non-college degree training.
- o The One-Stop system should build upon successful efforts already underway in States and Local communities, and the federal initiatives which have been implemented to enable the integration of employment, training and education

programs, services and governance structures, most notably DOL's One-Stop Career Center System and America's Labor Market Information System initiatives.

- o The One-Stop system should provide a standard package of customer-focused, basic core services for all Americans in "one stop," including: information on careers, labor markets, jobs, and the availability and quality of education and training programs; testing and assessment; job openings; hiring requirements and referrals; assistance with job search skills; and, initial eligibility information on programs. Additional universal services, intensive services under public programs for certain targeted populations, or specialized services or fee-for-services for certain customers could be optionally provided.
- o The One-Stop system should be augmented by an expanded and improved Labor Market Information System to benefit all Americans by investing in: improved customer products and services for job and career information and assistance; new and better data sets; user-friendly information delivery systems; and common language of skills/occupational knowledge and technical standards.
- o The One-Stop system should be a national system built around State and Local flexibility to determine delivery methods and governance options which provide core services to achieve agreed upon outcomes for customers.

ETR ISSUES

ISSUE 1:

Issue Statement:

Should the Administration's One-Stop proposal be based on the premise that major program consolidation is achieved across Federal departments and programs before the nationwide One-Stop system is put into place?

Option 1.

Large-scale consolidation. One-Stop to serve as exclusive point of access to services for target groups served by consolidated programs.

Pro:

- Streamlines and integrates Federal employment and training programs into a coherent system.

Con:

- Politically difficult to achieve.

Option 2.

Gradual consolidation. Over time, consolidate and rationalize programs serving specific target groups (e.g., disabled, veterans, economically disadvantaged youth, welfare clients, dislocated worker programs).

Pro:

- Probably more politically acceptable than Option 1.

Con:

- No comprehensive integrated system of employment and training.

Option 3.

No assumption of consolidation. Treat One-Stops as a system, not a program, designing them to work within the current system of multiple funding streams.

Pro:

- This is context in which States are designing One-Stops in response to DOL's recent grant solicitation.

Con:

- Ignores problems of program fragmentation, overlaps, and inadvertent gaps in service to disadvantaged workers.
- States and local governments have to develop arrangements for pooling of resources for administration and common services.
- Design of One-Stops will vary within and across States.

ISSUE 2:

Issue Statement: Assuming no major consolidation, what is the Range of Programs that should be Delivered through the One-Stops?

Option 1. Require certain core federal programs to be delivered through the One-Stops (a decision would need to be made on whether to allow these programs to be delivered only through the One-Stops, or to allow multiple points of access).

Allow states to decide whether other programs should be delivered through the One-Stops in their jurisdictions (the range of possible programs is discussed under Option 2). Incentives for coordination with non-included programs could be provided.

Pro:

- consistent with strategy in current DOL grant competition
- allows for experimentation/learning process
- lessens duplication of effort in community
- may help ensure disadvantaged groups' access to services

Con:

- does not achieve the full vision of a "coherent national framework" for workforce training
- introduces greater complexity and confusion for federal program administration
- complicates development of LMI and outcomes information system(s)
- potential opposition from traditional service deliverers

Option 2. Require delivery of a broad range of federal programs through the One-Stops.

Suboption 2a. Require delivery of DOL programs as contemplated under REA (e.g., ES, JTPA Titles II and III, TAA)

Pro:

- Considerable planning already underway or completed; could be implemented relatively quickly

Con:

- Not a "bold" option
- Maintains separate systems

Suboption 2b. Require delivery of all Suboption 2a. Programs, plus other programs targeted on the disadvantaged, which might include the JOBS program and/or adult education.

Pro:

- consolidation of services for disadvantaged
- potential for administrative cost savings
- most complete information on services and providers available to AFDC recipients and caseworkers

Con:

- adding the JOBS program, in particular, introduces special issues, since JOBS is a mandatory program with sanctions for non-participation.
- requires eligibility determination at One-Stop, may encourage "two systems" within One-Stops as opposed to the "open to all" message; could attach stigma to using One-Stop services;
- requires major legislative changes; more politically difficult.

Suboption 2c.

All Suboption 2a. or Suboption 2b. Programs, plus federal postsecondary vocational education and training programs (notably, part of Perkins Act). Could also include postsecondary vocational training currently financed through student financial assistance programs (HEA Title IV). This option is listed separately from the preceding one because Perkins is not intended to be a program for the disadvantaged.

Pros:

- Bold option, greater potential for a coherent system
- Better consumer information and information on local job market characteristics to inform vocational education participants and program administrators.

Cons:

- Requires legislative change. Note that there currently is no standard mandated apportionment of funds between secondary and postsecondary vocational education; within rough boundaries, this choice is left to the discretion of the states. About 60 percent of Perkins funds now support secondary vocational education.
- Perkins and HEA funds currently support programs for in-school youth; the REA One-Stops are basically designed for out of school adults and youth.
- current Title IV assistance provided through vouchers, while most other cited programs provide institutional support through state grants

Suboption 2d.

Require a broader range of programs to be accessible at the One-Stops, but allow multiple access points (compatible with any of the other sub-options in Option 2).

ISSUE 3:

Issue Statement:

What is the Range of Services to be Delivered through the One-Stops?

Option 1.

Require that One-Stops provide a basic core of services including initial assessment, information, and referral (including collecting and maintaining follow up data on individual outcomes). Information provided would cover job openings, skill requirements, training providers, and financial assistance. Limited guidance/counseling would be provided, and initial eligibility screening for appropriate programs.

Allow States to determine the range of additional services that One-Stops would provide within their jurisdictions. One-Stops would have no direct oversight function and no direct provision of education and training.

A more intensive version of this suboption could include as core services intensive case management, more sophisticated assessment, job development, etc.

Pro:

- gives the One-Stops a clear, manageable mission
- consistent with strategy in current DOL grant competition
- allows for a learning process
- avoids the potential conflict of interest involved in having One-Stops also be providers of services

Con:

- does not achieve the vision of a "coherent national framework" for workforce training
- means clients need to access services at other locations
- introduces greater complexity and confusion for federal program administration
- complicates development of LMI and outcomes information system(s)

Option 2.

Enlarge the role of One-Stops to include services listed under Option 1 plus additional functions such as outcomes analysis and provider oversight, but don't allow One-Stops to provide education, training, and related services. One-Stops could contract for these additional services or provide them directly. Such services could include some or all of the following:

- eligibility determination for all covered programs
- approval or disapproval of training providers in local labor market (alternatively a state function)
- managing, analyzing, and reporting on data on outcomes
- flagging excess demand for or supply of providers in local market
- compiling, analyzing, and reporting on post-training outcome data, and
- (to the extent that financing takes the form of vouchers) a financial disbursement and accounting function for the programs and services One-Stops handle.

Pro: ■ leaves important decisions in local hands ■ may be easier for customers	Con: ■ functions more appropriately reserved to states or federal government ■ One-Stop geographic area may be too small (providers may serve several One-Stops) ■ may overload a new system with extremely complex functions before it masters basic functions
<u>Option 3.</u> As Option 1 or 2, but allow One-Stops to provide (directly or through contract) education, training, and related services.	
Pro: ■ collocation of services means easy access, convenience for consumers ■ easier tracking of outcomes ■ capacity and Interest (some community colleges are now performing One-Stop functions for JOBS)	Con: ■ potential conflict of interest as One-Stops refer individuals to their services instead of competing programs

ISSUE 4:

Issue Statement:

Should the Administration for Children and Families provide primary access to services to the disadvantaged as well as other populations? To what extent should the One-Stop system meet the special needs of disadvantaged persons? How should the system be structured to be cooperative to serve all groups?

ASSUMPTION:

No major program consolidation mandated

Option 1.

Maintain a separate service system for disadvantaged populations who are eligible for special services. If disadvantaged individuals who are targeted for other programs go to One-Stops for services, they would be identified during initial screenings and referred back to the appropriate programs. Programs specifically targeted to the disadvantaged would rely on One-Stops for labor market information and could contract with One-Stops for services such as assessments. One-Stops would not be expected to provide any intensive services (e.g., case management, supportive services). Disadvantaged individuals who were not eligible for any other special programs could get basic services through the One-Stop system.

Pro.

- Greatly simplifies the administration of the One-Stop centers by reducing the scope of services and number of programs they deliver;
- Allows One-Stop centers to rely more fully on technology to provide services;
- Keeps existing program constituents happy (including the Hill and advocates who distrust the mainstream system's interest in serving the disadvantaged);
- Basic services broadly available to all populations, especially since the majority of the disadvantaged (and other target populations) cannot be served by the categorical programs due to limited fund availability.

Con.

- Continues current levels of duplication; makes it more difficult to rationalize funding and targeting decisions and to judge program performance.
- Gives no incentives to the current system operators to cooperate, collaborate, or integrate services and activities.
- Confuses employers and certain other system participants - keeps in place a "multi-stop" system.
- Fails to show any boldness, not very future-oriented in terms of making education, training and re-employment systems more responsive to an increasingly diverse workforce.

Option 2.

Allow State/Local flexibility as to the role of One-Stop centers in providing access and services to the disadvantaged.

Pro.

- More consistent with reinventing government principles
- Accommodates difference in State/Local delivery systems
- Broad appeal to State and Local governments
- Would likely have less resistance on the Hill and from advocates that a specific prescribed role; however, some of the political debate would merely be shifted from Washington to the individual States.
- Would buy time to learn more about the advantages and disadvantages of alternative structures

Con.

- Might be little different than the current system, with extensive duplication and balkanization/little potential for rationalizing the system
- Not very bold
- Could make it more difficult to develop national scheme for quality assurance, accountability
- Could make oversight of individual programs more difficult

Option 3.

Provide front-end services for disadvantaged at One-Stop centers; provide flexibility with respect to special services such as case management, preparation for the world-of-work, work experience, provision of and referral to support services.

Pro.

- Achieves some integration of services, while recognizing the special service needs of the disadvantaged
- Allow some accommodation of differing State and Local delivery systems

Con.

- In the interest of integrating program services, creates a bifurcated system for the disadvantaged. Relatedly, might make it more difficult to hold anyone accountable for effectiveness of programs for disadvantaged
- Would impose significant additional administrative burdens on One-Stop centers (e.g., maintaining connection between JOBS services and JOBS dollars, dealing with program eligibility determinations and status changes, monitoring of mandatory participation, etc.) In a world of time limits for welfare recipients, these problem become much more serious.
- Complicates Federal oversight
- Increases the likelihood of disruptions in services to welfare recipients as they get lost between systems

Option 4.

Give One-Stop centers responsibility for providing access and full range of services needed by the disadvantaged. Have multiple funding streams, identify eligibility for intensive services and serve disadvantaged workers to the extent that funds are available.

Pro.

- Boldest approach
- Creates a truly integrated, nonduplicative system
- Facilitates involvement of business community and other important players
- Like current system, permits congressional control over the resources available for intensive services to different target groups

Con.

- Imposes a Herculean set of administrative and programmatic responsibilities in a single agency - especially in the context of time limits and a WORK program for welfare recipients (e.g., maintaining connection between JOBS services and JOBS dollars, dealing with program eligibility determinations and status changes, monitoring of mandatory participation, creating jobs, providing cash supplements to working families, etc.).
- Will arouse a strong negative response from constituents of existing programs (on the Hill and in the advocacy community)
- Could create a multi-class service system within One-Stops, with a different array of services (and perhaps different workers) available depending upon the categorical status of the person coming in.
- Shifts the focus of workers from the service needs of individuals to categorical eligibility issues.
- May do little to resolve problems with gaps in services, particularly for the "non-categorical" disadvantaged.

ISSUE 5:**Issue Statement:**

Should the Administration's One-Stop design be mandatory for federally-funded employment and training services?

Option 1.

Yes, federally-funded employment and training services should be mandated through a One-Stop delivery system.

Pro.

- The Administration has identified the problem of fragmented, sometimes duplicative employment and training programs not coordinated in a system, this approach would fix the problem.
- This is the only way to guarantee a national system which is needed in this global economy.
- Would enable national service standards, national marketing, and other supportive activities designed to reassure the American public that high-quality career and job services are available.

Con.

- More political with stakeholders and more costly to implement.
- More federal prescription required to "guide" reluctant parties to implement which usually produces lower program quality, less innovation, and continues federal-state-local traditional hierarchical relationship.
- Would require some penalty for non-compliance or mechanism for compliance – e.g., FUTA off-set credit reduction related to UI program.

Option 2.

No, the Administration's One-Stop proposal should be strictly voluntary for those States/locales which choose to implement a One-Stop system with federal incentives. In addition, a goal should be set for implementation nationwide – e.g., 2000.

Pro.

- Creates a more productive atmosphere to successfully implementing One-Stop, which is likely to produce an innovative national system. Builds on approach underway with DOL One-Stop grants. [Reverse Cons above.]

Con.

- There is no guarantee that a high-quality, national system will emerge. This is federal money and the Administration has the responsibility to invest it in a manner that will produce the most benefit – not just hope that this will occur. [Reverse Pros above.]

ISSUE 6

Issue Statement:

Should the Administration's One-Stop proposal be built around a revitalized Employment Service?

Currently, the ES provides block grants to States to support various labor exchange services. All job seekers and employers are eligible to use ES services at no charge. ES grants fund State staff who deliver these services in local offices. In addition, ES has certain mandated activities such as alien labor certification and services to migrant and seasonal farmworkers.

Option 1.

Yes, it should be built around a revitalized ES.

Pro.

- o Providing the "front-end" employment and training services through a revitalized and reinvented Employment Service is consistent with the purpose of the Employment Service and its legislation.
- o A basic infrastructure (facilities and staff) is conveniently located throughout the country provided by \$800 million in employer-paid funds (97% funded by FUTA taxes).
- o Resolves the issue about the "role of the Employment Service" nationally, instead of leaving it to State-by-State, or Locality-by-Locality determination which may leave the ES in-tact in some places, use it as the core for One-Stop in others, and eliminate it totally in others.
- o Organized labor would enthusiastically support.

Con.

- Impractical to believe that ES can provide all the high-quality "front-end" services to all customers without major additional investments from other programs also contributing toward these services.
- ES does not enjoy a good reputation everywhere -- frequently viewed as outdated and rigid.
- Sets up a political battle by "choosing" one program upon which to build the One-Stops that, in this case, is a State-run program.
- Local programs will strongly object to "choosing" the State level.

Option 2.

As in the REA, guarantee local ES offices as a part of "One-Stop" if they can qualify to provide required services either as a separate operator or as part of a consortium. Require ES to be delivered exclusively through the One-Stop system.

Pro.	Con.
- o Allows ES, the 60 year "owner" of the public employment service to continue in the business IE it can change to become part of the system envisioned by One-Stop. - o More palatable to organized labor.	■ ES as "presumptive deliverer" very controversial with other program providers. Gives States an advantage over Locals in the governance structure designs. ■ Does not base the choice for the Local One-Stop operator(s) on the best entity or structure available.

Option 3. Same as Option 2 except there is no "presumptive" role for ES — left to State/Local flexibility.

Pro.	Con.
■ Should enable the most qualified operator to be chosen for the One-Stop.	■ Unacceptable to organized labor and State Employment Security Agencies.

ISSUE 7**Issue Statement:** How should the Administration fund One-Stop operations?

Discussion: The issue of funding of One-Stops differs from the issue of the scope of services provided. As discussed here, funding affects who can receive certain services. Given that some One-Stop services are available to everyone, program costs will depend on what is in the core set of services and how access to more intensive, expensive employment services and training is determined. The range of services actually delivered within the One-Stop may include the more intensive services as well as core services available to everyone.

The Department of Labor's 1994 and 1995 funding for One-Stops covers State planning and implementation costs as well as development of a national labor market information system. Grants do not cover costs of operating One-Stop centers.

Option 1.

Fund as new, consolidated employment and training program. One-Stop appropriation funds all intake and intensive services, including training, and replaces existing programs. Local One-Stop operators provide services based on individual need without formal eligibility determinations.

Pro.

- Streamlines Federal employment and training programs. Avoids administrative problems of managing multiple funding streams.

Con.

- With no earmarks or set-asides for special groups, may create incentives for "creaming." With limited funds, may ration expensive services on first-come first-served basis. May be negative service and administrative implications for mandatory welfare participants under time-limited AFDC if JOBS is included in consolidation.

Option 2.

Create a separate One-Stop appropriation to fund universal core services – e.g., intake and administrative overhead. Continue to fund more intensive services, including training, under existing authorizations for participating programs. Reduce budgets for participating programs to reflect shift in core services and other responsibilities to One-Stops.

Pro.

- Recognizes political need to assure that certain target groups have resources for their exclusive use. Eliminates need to negotiate cost-sharing at local level.

Con.

- Requires One-Stop operator to determine individual's eligibility before referring to intensive services. Referral does not necessarily assure access if funds are not available. May require target group members to compete with others for core services.

Option 3. No separate One-Stop appropriation for ongoing program operations. One-Stop appropriation is a one-time investment to build the system in the State. Negotiate support for One-Stop operations at local level from participating programs. Fund all services under existing authorizations.	
Pro. ■ Allows local negotiations on cost-sharing that reflect actual operating practices.	Con. ■ Minimizes Federal oversight of service integration. Requires eligibility determination before referral to intensive services.

THUMBNAIL DESCRIPTION: DOL'S ONE-STOP PROPOSALS

Reemployment Act of 1994

Summary of One-Stop Proposal

Establish a national program of grants and waivers to States on a voluntary basis to implement one-stop career center systems that would provide high-quality, customer-focused basic and intensive services universally. A separate Title addresses LMI which is essential to the operation of a One-Stop system.

Services

- Basic services required: outreach to targeted populations; intake/orientation; assistance in UI claim filing; preliminary assessment of skills and service needs; labor market information; job search assistance; job referral and placement; job training/education program information including financial assistance, eligibility requirements, program quality, and referrals; information on performance and customer feedback; broad eligibility determination; dependent care and other supportive services information; and soliciting/accepting employer job orders.
- Intensive services required for dislocated workers and permissive for other targeted populations.
- Specialized employer services and additional services permitted.
- Fees for services authorized except where an individual is eligible for free services.

Programs

- Mandatory/Exclusive programs include Dislocated Workers and the Employment Service.
- Mandatory programs that may also provide services elsewhere include: JTPA Title II, VETs, Title V Older Americans Act, and Unemployment Compensation.

- Voluntary programs: JOBS, Food Stamp Employment and Training, Job Corps, JTPA Title IV-C, Carl Perkins, Adult Education Act, Vocational Rehabilitation Act, and School-to-Work.
- Special consideration – e.g., "extra points" awarded to One-Stop designs that include more programs.

Governance

- A local Workforce Investment Board (WIB) required with majority private sector to conduct strategic planning, one-stop budget review and approval, PIC functions, oversight, and chartering of local one-stop centers.
- Requires State Human Resource Investment Council (SHRIC) to conduct strategic and workforce development planning, advise Governor on one-stop service areas, develop effectiveness measures for WIBs, and other functions.

Establishment/Operations

- The Governor and local elected officials jointly select whether to establish one-stop career centers as a Consortium (defined to include ES, UI, JTPA, EDWAA, and one more entity), or as Multiple Independent Operators under a published procedure with objective criteria to select the best operators. The WIB charters the One-stop centers under either option. One-stop operators that are also education/training entities must show that they are "honest brokers" of one-stop services..
- One-stops are operated under an agreement with the one-stop operators with the WIB and participating programs, approved by local elected officials and the Governor.
- The Secretary prescribes performance standards for the One-stops and the WIBs, with public reporting required, and revocation of charter for nonperformance.
- A Broad waiver process available.

PHOTOCOPY
PRESERVATION

Options for Financing Postsecondary Vocational Education and Training

Introduction

The Federal government currently administers numerous programs to support postsecondary education and training administered by a variety of agencies including the Departments of Education (ED), Health and Human Services (HHS), and Labor (DOL). As a result, it is difficult to design and implement a coherent national strategy for ensuring that the United States has a develops skilled workforce. For this reason, the Federal agencies that administer postsecondary vocational education and training programs along with the Office of Management and Budget (OMB) have been working together to re-invent the Federal approach to financing postsecondary vocational education and training.

The Federal postsecondary education and training programs have three, at times conflicting, goals:

- to raise skills of workforce by providing entry level skill training to those seeking to enter the labor market and encourage increased investment in advanced training for those already in the labor market.
- to provide access to high quality postsecondary occupational training for individuals who lack sufficient resources to otherwise obtain it.
- to reinforce the objective of raising academic and occupational standards throughout the Nation's education and training system.

The current Federal postsecondary vocational education and training programs utilize a variety of different approaches. These approaches include:

- vouchers (HEA-Title IV model) in which the Federal government provides grants and loans directly to eligible individuals who purchase educational services from public, private, non-profit, and private, for-profit providers;
- contract fee-for-service (JTPA model) in which local entities purchase educational, training, and job placement services for individuals and groups with payments based on contractors meeting intermediate service and outcome targets;
- grants to States and institutions to build institutional capacity (Perkins model) (HEA-Title III model);
- formula grants to States (JOBS model) in which the State determines how to provide educational and training services through vouchers, contract fee-for-service, or institutional support.

The primary role of each program is different, as well. While the primary role of Federal student assistance programs is to provide financial support to education and training at the postsecondary level, the programs supported by the DOL and HHS are not primarily providing support for occupational education and training. A large part of the funding provided by the other agencies

DRAFT -- 10/7/94

is used to support a variety of employment-related services, such as assessment, career counseling, job development, and job search training.

Each approach has its proponents. The welfare reform proposal submitted by the Administration earlier this year would expand the block grant to States approach to require a wider range of services and mandate the participation of welfare recipients in JOBS and WORK programs. Since participation in JOBS and WORK is mandatory, sanctions are attached to nonattendance, making tracking of participants a significant issue. Under the voucher approach, attendance in class sessions is less of an issue while course and program completion is a major concern. Similarly, moving funding to support classroom-based training and away from other types of services that the DOL programs provide may deny individuals the services they need or prefer. It may also result in moving away from having integrated services that can be sequenced at the student level where assessment, individual plans, basic education, occupational training, job search training, and placement assistance are provided in the same program.

Each approach has inherent flaws that limit program effectiveness. For example, voucher-based systems, like the Title IV student financial aid programs, rely on students making informed decisions about the type of program to pursue and the school at which to attend. As a result, voucher-based systems are adversely affected by students making poor choices about the types of training to pursue and the school at which to attend do to a lack of information or lack of skills in making appropriate judgments. A contract, fee-for-service approach overcomes these problems by requiring accountability for service providers. However, this approach does not assure that the neediest students receive services since the providers will assure that the most likely to complete of the eligible pool of students will participate..

The options outlined below are grouped in several basic categories. The first, "Building Coherence," describes basic architectural alternatives for a system of postsecondary vocational training. The other categories describe programmatic options for particular target populations -- "High Risk Adults" and "Incumbent Workers" -- or specific purposes -- "Income Support".

While additional resources for postsecondary vocational education and training may be desirable, these options could be implemented within the existing resource base. Funds to support any of these options would be reallocated from existing job training and education programs in Title IV, JTPA, Adult Education, JOBS, Perkins postsecondary vocational education and training funds, and perhaps other programs. New funding sources could also be sought as well. Give in the time constraints on the development of the issue paper it has not been possible to develop cost estimates.

The paper as prepared by the working group attempts to identify as many options as possible, though by no means the full range. No assumptions are made about the enactment of the welfare reform and re-employment initiatives pending before Congress.

Imbedded in each of these alternatives are competing views about what works best for what groups and under what circumstances. Critical questions to be addressed include:

DRAFT -- 10/7/94

- whether vouchers -- a mix of grants and loans, -- institutional support or contracted services are the best way to purchase job training for different types of programs or different populations;
- whether grants or loans are most appropriate for financing short term training; and
- how each of these varies given the different needs of high school graduates, high school dropouts, adults, dislocated workers, and other target groups.

Finally, although there are a variety of ways to define vocational training, for purposes of these options, we consider vocational training to include all occupational-related training.

Building Greater Coherence

☐ **OPTION A: Universal System**

Discussion: Consolidate postsecondary education aid programs into a single choice-based system of vouchers with no distinction regarding minimum program length or type of study, with access to vouchers controlled through One-Stop centers for high-risk students or adults in transition. High risk students would be required to have an assessment and to develop an education and employment plan jointly with a career counselor, based on an assessment, career interests, and cost, program, and outcome comparisons among different providers. Continuing and pro-active case management would be provided to students deemed at greatest risk. Institutions on approved lists would agree to (a) provide services at pre-determined tuition rates; (b) be subjected to evaluation of student learning and employment performance, and (c) refer high risk students to One-Stop. New providers, (such as CBO, labor unions, professional organizations, etc.) would be eligible under simplified requirements.

Pros:

- would signal true reform of the system but ensures that high-risk individuals who need employment-related or preparatory services can access them
- is consistent with Administration's idea of a social contract, with mutual obligations by the government and citizen
- builds on existing student aid programs.
- provides a method for containing costs and preventing abuse by unscrupulous providers.

Cons:

- may be viewed as too paternalistic.
- may be viewed as being a restraint on the "free market" with government intervening on cost and quality dimensions of education.
- if resources diminished for target groups, could create political battles with stakeholders.

DRAFT -- 10/7/94

- could be viewed as re-distributing funds from local areas thus generating political opposition.
- may raise concerns about coordinating services and possible delays caused by new bureaucracy.
- could create political problems for the Administration in terms of major in policy direction from one laid out in REA and Welfare Reform.

☐ **OPTION B: State-Administered Voucher Program**

Discussion. Consolidate Title IV support for programs below the associates degree level with JTPA and JOBS funding to create a new state administered, voucher-based system -- through a mix of grants and loans -- providing support for postsecondary vocational education. A new program could be developed that would include the following characteristics: (1) a system of performance measures and standards common to both public and private sector providers; (2) financial rewards and sanctions contingent on performance (both absolute performance and improvement); (3) state and local control and decision making on who to serve and how; and (4) consumer information tied to one-stop shopping for those who need additional assistance. (OMB) Under this option, the postsecondary education portion of the Perkins program would be excluded from the consolidated voucher program.

Pros:

- would result in significant administrative savings for the Federal government.
- would enable States to consider local labor market conditions in determining the kinds of training to be supported.
- would make consistent the delivery of funds for vocational education.

Cons:

- would cause elimination of "packaged" services, including assessment, job placement, and support services as under the JOBS and JTPA programs.
- could eliminate CBO's from receiving funding if current student financial aid institutional eligibility requirements are used.
- would result in some individuals continuing to be at-risk of abuse by unscrupulous school owners and service providers, since some States do not adequately monitor institutional performance.
- would not result in a national coherent workforce preparation strategy as each State would be responsible for developing a program to meet the needs of the State.

DRAFT -- 10/7/94

☐ **OPTION C: Federally-Administered Voucher Program**

Discussion. Same as previous option except that the Federal government would administer the system and determine who to serve and how.

Pros:

same as previous option. In addition:

- would result in a coherent national workforce preparation strategy.

Cons:

same as previous option. In addition, :

- since the such a system would be choice-based, local labor market conditions would have to be clearly understood by participants for the program to effectively take these conditions into account.
- would be opposed by stakeholders because they would lack control.

☐ **OPTION D: State Block Grant**

Discussion. Develop a consolidated state block grant program to support vocational and training services to target populations. Consolidate all postsecondary vocational education funding from Title IV; Perkins; Adult Education; and Labor and Health and Human Services programs into a single State administered program. Include a stakeholders provision as in School-to-Work or require a comprehensive State plan to reach all groups. A coherent postsecondary vocational education (long term and short term) program could be devised under either a single Federal Department or a joint administration among two (ED and Labor), or three (ED, DOL, and HHS) agencies (also tying this all into welfare reform). States could choose to provide support through vouchers, contracts, or institutional support.

Pros:

- would greatly simplify the current multiple Federal systems of providing support to individuals pursuing postsecondary vocational education and training.
- would result in a significant reduction in the regulations that service providers must comply with.
- would result in significant administrative savings for the Federal government.
- would consider local labor market conditions in determining the kinds of training to be supported.

Cons:

- would be least politically feasible of all options because of the similarity to the Republican's "contract" proposal -- something a Democratic Administration should not propose

DRAFT -- 10/7/94

- would require State-by-State battles among different interest groups, who would compete for scarce resources.
- would leave some individuals at-risk of abuse by unscrupulous school owners and service providers.
- would not result in a coherent national workforce preparation strategy as each State will be responsible for developing a program to meet the needs of the State.

☐ **OPTION E: Modify existing postsecondary vocational education and training programs through incremental administrative, regulatory, and legislative changes to existing programs to: encourage seamless delivery system, improve coordination, enhance outcomes and quality, and improve access and reduce barriers for dislocated workers, incumbent workers, and the working poor.**

Discussion. This option encompasses a wide spectrum of activities including: use of prior year income for the unemployed and dislocated workers in determining the amount of expected family contribution, streamlining processes for certifying additional provider institutions (such as labor unions or professional associations) under the HEA, marketing direct loan program, including income contingent repayment options, and making forms and administrative procedures as "user-friendly" as possible. Additionally, States would be encouraged to aggressively use their authority to permit use of UI while individuals are in approved training, as well as encourage State UI systems to expand the definition of approved training to include postsecondary education. Accountability systems, including performance standards, would be adjusted to reflect concerns about quality of services and customer satisfaction.

Pros:

- would allow time for implementing and assessing the impact of the 1992 HEA amendments, the 1992 JTPA amendments, the 1993 direct loan program, and the 1994 School-to-Work Opportunities Act.
- if attempt only administrative and regulatory changes, does not open up programs to possible other undesirable changes in the new Congress, **or repeal of previous reforms.**
- allows time for re-introduction and Congressional action on existing proposals on Welfare Reform and Re-employment Act
- builds on Administration initiative to streamline and improve the quality of service delivered by the Federal government and its programs.
- most politically feasible.

Cons:

- would not simplify the current multiple Federal systems of providing support to individuals pursuing postsecondary vocational education and training.
- would leave some individuals at-risk of abuse by unscrupulous school owners and service providers.

DRAFT -- 10/7/94

☐ **OPTION F: Develop separate financial aid programs for non-degree or short-term vocational education and training.**

Discussion. Limit the current federal grant system to academic degree-granting programs and develop new funding programs for non-degree and short-term vocational education. Such vocational programs might, for example, be supported through contracts with providers (e.g., community colleges, proprietary schools, employers, etc.). Students eligible to attend programs supported in this manner would be selected jointly by the providers and the funding agency. Students would not pay tuition and their living expenses might be funded directly.

Pros:

- would permit the Federal government to impose performance standards, to fund training appropriate for the regional labor market, and to more tightly regulate educational costs.
- would result in a significant reduction in the regulations that service providers must comply with.
- would formalize a process that is already occurring for many students in vocational education programs.

Cons:

- would complicate the current multiple Federal systems of providing support to individuals pursuing postsecondary vocational education and training.
- would increase administrative costs for the Federal government.
- would result in a two-tiered financial aid policy rather than an integrated model supported by the School-to-Work Act.
- would require transferring funds from the Title IV programs, including loans, to the new program which could prove difficult to accomplish.

Work-based Learning and Employer Involvement

☐ **OPTION 1: Extend vouchers to include employer-based training.**

Discussion. Most employers tend to provide training which is narrow and oriented toward company needs. This option would be designed to encourage generic basic skills and occupational training. It should also build on the idea that work-based learning, combined with classroom-based instruction is more effective than classroom-based instruction alone.

Pros:

- would provide employment experience which increases probability of further employment in the future.

DRAFT -- 10/7/94

- would attract many students not attracted to traditional classroom education.

Cons:

- would encourage employers to use Federal funds instead of their own to finance training.
- if used improperly, would detract from classroom-based academic and vocational learning.
- would be difficult to ensure quality -- gatekeeping concerns could possibly be controversial since education dollars are limited

☐ **OPTION 2: Create incentives and requirements to support School-to-Work initiatives and principles at the postsecondary level.**

Discussion. This option encompasses a variety of approaches to promoting STW concepts and system development, including HEA requirements to structure all vocational instruction around career majors, requiring all vocational programs to provide cooperative education or work-based learning.

Pros:

- would provide employment experience which increases a students preparation for future employment.
- would attract students not attracted to traditional classroom education.

Cons:

- if used improperly, would detract from classroom-based academic and vocational learning.

☐ **OPTION 3: Share costs with employers.**

Discussion. Some sort of matching arrangement (matching federal grant program and/or low-interest loan programs to employers) targeted at small firms or low wage employees, could encourage greater employer investment in training -- especially for workers who are currently least likely to receive advanced training. The Targeted Jobs Tax Credit (TJTC), however, provides one possible source of a matching arrangement with employers. Current TJTC does not provide strong incentives for building worker skills or increasing long-term labor market outcomes. There is a strong case for injecting a learning component in a reformed TJTC.

Pros:

- would stretch the training dollars by having employer contributions or matching of government training dollars.
- would provide employers incentive to ensure training programs work.

DRAFT -- 10/7/94

- would increase amount of training provided.

Cons:

- would not ensure that the cost sharing resulted in training that would not otherwise be provided by the employer.
- would not gain employer support for training not shown to increase corporate profits.

Some possible suboptions regarding TJTC include:

Suboption A. Provide a credit to employers to partially offset the cost of providing formal training to TJTC employees.

Pros:

- would encourage training that fits in with other options proposed for TJTC to improve job training.

Cons:

- few employers would be likely to take advantage of this option.
- would be difficult to administer, and difficult to assure that training takes place.

Suboption B. Make work-based learning slots eligible for TJTC.

Pros:

- would provide a widespread incentive for employers to participate in TJTC.

Cons:

- could be costly; would shift benefits of TJTC to non-disadvantaged population.
- difficult to administer.

Suboption C. Make participation in TJTC more accessible to low-income, school-to-work participants.

Pros:

- would help disadvantaged.
- would help expand STW to the low-income.

High Risk Out of School Adults

- ☐ **OPTION 1: Supporting basic education, vocational education and training, and employment-related services.**

DRAFT -- 10/7/94

Suboption A: Support basic education through institutional support only. No Title IV grants and loans should be used for basic education.

Discussion. Institutions could not charge tuition for basic education (that is, leading to competence at the high school level). Students could still be eligible for aid to pay living expenses. This could be accomplished through a new program or consolidate Student Support Services, CAMP, and others into a federal grant program to provide remedial services to students at institutions serving economically needy population.

Pros:

- would provide basic education training free of charge to individuals who do not have these skills.
- would guarantee all persons in America have the opportunity for basic level training which would promote our democratic institutions

Cons:

- would remove decision making from individuals to government and thus be paternalistic
- would make students needing basic education ineligible for financial aid without identified new funding for basic education

Suboption B: Support vocational education, training, and employment-related services through a contract for individuals lacking a high school degree or certificate.

Discussion. Under the current Title IV program, students lacking a high school degree can receive aid as long as they have the "ability to benefit" from the program of study offered by the institution. Students admitted under the ability to benefit provision are more likely to drop out of the postsecondary program and are more likely to default on student loans. This option would prohibit ATB students from using Title IV loans and grants for paying tuition.

Pros:

- provides support for non-degree students through a contract fee-for-service system which would permit more appropriate program selection by at-risk students.
- could introduce stronger cost and quality controls.
- could increase amount of employment-related services to assure job placement and retention.

Cons:

- would remove decision making from individuals to government and thus be paternalistic.

DRAFT -- 10/7/94

- would make students needing secondary level education ineligible for financial aid.
- if performance-based system then could result in creaming (i.e. not taking a chance on risky students).
- might be viewed as paternalistic or discriminatory.

Suboption C: Support vocational education and training through a contract fee-for-service system for individuals failing to pass a screening examination.

Discussion. Under the current Title IV program, students are not required to pass a qualifying or screening examination. Yet many high school graduates, as well as non-graduates, have skill and knowledge levels below the high school level. Many of these graduates and non-graduates are taking remedial education (up to the high school level) while in "postsecondary" programs funded by Title IV grants and loans. Some are enrolled in vocational programs in which their basic education is not being upgraded to the level needed.

Pros:

- avoids indebtedness among the highest risk students.
- would provide support for these students through a contract fee-for-service system, which would permit more appropriate program selection by at-risk students.

Cons:

- would remove decision making from individuals to government and thus be paternalistic
- would make students needing secondary level education ineligible for financial aid.
- would limit the range of choice available to students among providers.

Suboption D: Limit duration of eligibility for student financial aid for basic education activities.

Discussion. Currently, no limit exists for the duration of grant support, and loans are only limited by the life-time loan limit. This option would permit use of Title IV funds for basic education -- leading to competence at the high school level -- up to one semester, for example. This would prevent the kinds of abuse noted by Senator Nunn with regard to individuals receiving Title IV aid for up to 17 consecutive years.

Pros:

- would prevent current abuse in the system that allows students to receive Title IV aid for decades.
- would provide incentives for students to complete remedial study in a limited period of time.

DRAFT -- 10/7/94

Cons:

- would adversely impact students who legitimately need a longer period to complete these programs.
- would adversely impact students who take leave of absences or drop out of programs and later re-enroll

Suboption E: Support basic education through contracts for services, while continuing to permit Title IV funds to be used for living expenses. Providers would have to meet agreed upon enrollment and persistence standards and skills gain targets

Pros:

- possible increased accountability and performance
- would provide basic education free of charge to individuals
- could encourage economies of scale, as providers accommodate practices to high dropout rates in basic skills programs

Cons:

- would require new intermediate entity to create, monitor, and compete contracts.
- would require shifting funds to make up for the amount of Title IV funds currently being used for this activity

☐ **OPTION 2: Limit eligibility for postsecondary education and training to those with adequate preparation.**

Suboption A: Restrict grants and loans to high school graduates.

Discussion. Students without a high school diploma would have their choices limited to training offered by the state (community colleges, vocational-technical schools) or programs that contract for training services (JTPA).

Pros:

- would use the high school degree as evidence of ability to be successful in postsecondary study
- would provide incentive to students to complete high school
- would provide incentive for students who have not completed high school to do so.

Cons:

- would severely impact out of school youth since they would not be eligible for Title IV funding of training programs
- would adversely impact poor high school non-graduates.

DRAFT -- 10/7/94

- could be seen as racially discriminatory especially if sufficient funds are not provided in other programs

Suboption B: Restrict loans to high school graduates, but permit grants to be used by high school dropouts and GED recipients.

Discussion. Students without a high school diploma would have their choices limited to use of Pell Grants in programs offered by the state (community colleges, vocational-technical schools) or programs that contract for training services (JTPA). A 1990 study of GSL borrowers found loan default rates of 55% for high school dropouts, and 44% for GED recipients.

Pros:

- would use the high school degree as evidence of ability to be successful in postsecondary study
- would provide incentive to students to complete high school
- would provide incentive for students who have not completed high school to do so.

Cons:

- would severely impact out of school youth since they would not be eligible for Title IV funding of training programs
- would adversely impact poor high school non-graduates.
- could be seen as racially discriminatory especially if sufficient funds are not provided in other programs.

Incumbent Workers

☐ **OPTION 1: Life Long Learning Account**

Discussion. Permit individuals to borrow under a truly unsubsidized direct student loan program to pay for courses that are not part of a degree program or programs of less than six months in duration, including apprenticeships. Coverage could be expanded to include other suppliers of education and training such as community-based organizations, public agencies, employers, and unions.

Pros:

- would expand the range of choices available to incumbent and dislocated workers at little or no cost to the Federal government
- would allow loans to be repaid under a variety of repayment options including income contingent repayment.

Cons:

- would be open to abuse by schools and students.

DRAFT -- 10/7/94

☐ **OPTION 2: Revise current education tax credit and increase deductibility of training expenses by individuals.**

Discussion. The current tax code limits the deductibility of training expenses. This could be expanded to encourage greater investment in and to permit training related to future job skill needs, not just what is needed in a current job, with a current employer training.

Pros:

- would provide tax incentives for workers to improve their training skills
- would provide a tax break with an added benefit of encouraging training that would lead to a more skilled work force.

Cons:

- would only benefit those who pay taxes, i.e., already employed.
- would lead to a certain amount of training fraud, thereby producing gatekeeping concerns (i.e., courses held at resorts like Hawaii).
- would result in lost tax revenue and trigger paygo (i.e. offsets).

☐ **OPTION 3: Eliminate the requirement that students enroll in a degree or certificate granting program to obtain Title IV grants and loan.**

Discussion. This would support adults who need a limited sequence of courses to upgrade occupational skills. To minimize the risk of funding avocational coursework, students and school counselors would be required to develop and follow a job skills development plan.

Pros:

- would expand opportunities for adults interested in short-term training.
- would enable Title IV aid programs to better promote the Administration's Life Long Learning initiative.
- would provide more flexibility to students in completing their own course of study on their own schedule.

Cons:

- may lead to student borrowing for courses not necessarily providing greater skill development (i.e., students take a "introduction to miniature golf" course).
- would be administratively more difficult since there would be many more loans for smaller amounts of money.
- would make gatekeeping more difficult.
- would increase costs.

DRAFT -- 10/7/94

Income Support

☐ **OPTION 1: Income support for long-term training.**

Discussion. This set of suboptions are framed to focus on long-term training for adults. Currently adults needing support in order to undertake long-term training have limited options. For example, States can choose to provide unemployment insurance while individuals are in approved training. States have generally interpreted the law to exclude regularly enrolled postsecondary students from UI. Also, trade-impacted workers are eligible for extension of benefits if they are in approved training (under TAA and NAFTA).

Suboption A. Income support limited to dislocated workers.

Discussion. This suboption takes the REA proposal as pending before Congress. Income support (through extension of UI benefits) for dislocated workers enrolled in long-term training, including up to an additional 52 weeks (length dependent upon tenure on job -- for those with more than 1 year tenure). Income support mandatory (UI funds) for those with greater than 3 years tenure, and discretionary for those with 1-3 years, until FY 2000, when mandatory portion fully phased in. Training grants to all individuals capped at maximum of \$4,750, with any additional costs covered by Federal Direct Student Loans.

Pros:

- allows Administration's REA proposal to move forward in the next session of Congress.
- consistent with the Administration's goal of moving from an unemployment benefits system to re-employment system.
- would support longer term training that has been proven to work.
- provides alternative to expensive EUC program when next recession hits.
- could deflect proposals for new and more expensive EB reform.
- rations resources to working population, consistent with insurance nature of UI.
- would make program comparable to current TAA and NAFTA, essential to achieving political support.
- funds already identified in FUTA .2% for which there is Congressional and business support.

Cons:

- would be too limiting for the comprehensive ETR reform bill.
- runs counter to emphasis on personal responsibility for financing costs of postsecondary education, including living expenses.

DRAFT -- 10/7/94

- may be inconsistent with the emphasis on loans **solely** to pay for retraining and related living expenses.

Suboption B. Expand income support beyond the provisions of the REA

Discussion. Under this proposal, the basic construct of the REA proposal would remain the same; however, a subset of the disadvantaged adult population served by II-A -- the working poor-- would now be served by a more universal re-employment program.

Pros:

- would recognize that the needs of dislocated workers and the working poor are similar in terms of what is needed to move them into jobs in the new economy.
- would address many of the concerns from the disadvantaged community about inequitable treatment between II-A and dislocated workers.
- would move the Administration towards its goal of having more rational, comprehensive systems for providing employment and training.
- opens up longer-term training to a larger population, consistent with Administration philosophy.
- consistent with Administration direction on welfare reform.

Cons:

- would increase the costs of this program, and could require increased offsets (or more discretionary funds).
- could raise issues of proper use of FUTA revenues, depending on design of proposal.
- could require rethinking of "universal" goal in REA, because of cost considerations.

Suboption C. Increase loan limits for adults to meet cost of attendance and living expenses.

Discussion. The real barrier for adults obtaining training from a community college is the need for income support, not tuition. This proposal would permit adults to borrow enough to replace lost income -- up to about \$20,000 annually.

Pros:

- would make it more possible for today's students to afford the increasing costs of education.
- would lead to more access for students who do not have other sources of income.
- with income contingent repayment, would allow reasonable loan payments.

Cons:

- may result in ever-increasing debts, especially for low-income students.

DRAFT -- 10/7/94

- may encourage misuse of funds for students who live at home.

Suboption D. Provide no income support for unemployed adults in training beyond what is available in current UI and Title IV.

Discussion. This approach would rely entirely on the existing student aid programs to provide the support that students need while pursuing training and post-secondary education. It would leave to State discretion whether some students could be enrolled in training and still receive UI benefits.

Pros:

- would be the least costly suboption.

Cons:

- treats all students the same -- as if young adults have the same circumstances as older adults.
- would not move the unemployment system toward a re-employment system.
- undermines the goal to consolidate dislocated worker programs, since it would reduce benefits under existing programs.

Dislocated Workers

☐ **OPTION 1: Provide grants to dislocated workers to obtain counseling and training.**

Discussion. Create a new program, either as a part of a large restructuring or separately, to provide non-need-based grants to dislocated workers. Grants could be provided to dislocated workers to pay for counseling and training.

Pros:

- would greatly expand the range of opportunities available to dislocated workers.
- would permit dislocated workers to receive training assistance with a minimum of red tape.

Cons:

- would result in funds being re-directed from the groups traditionally served under the Federal student financial aid programs.

QUALITY ASSURANCE

PHOTOCOPY
PRESERVATION

QUALITY ASSURANCE IN THE WORKFORCE DEVELOPMENT SYSTEM

ETR Interagency Team on Gatekeeping and Program Quality

Regardless of the degree of consolidation accomplished through ETR or other initiatives, we will not be able to build a successful workforce development system unless the quality of workforce education, training, and employment programs improves virtually across the board. Today, while most programs have begun to require development of performance standards and promising "gatekeeping" mechanisms have been created to screen out the worst providers in some parts of the system, there still is a lack of clear, consistent, and credible standards against which to measure program success or failure.

Where accountability mechanisms exist, they suffer from a variety of weaknesses: they don't cover all the providers; some focus on the wrong indicators; some lack positive or negative consequences for provider behavior; some result in unintended consequences (like programs' unwillingness to serve the most disadvantaged); and they are not coordinated across programs. The Administration's workforce initiative must provide quality assurance throughout the system.

The focus of this paper is on program quality and "gatekeeping" for direct service providers, not on quality in the gatekeeping intermediaries and other federal, state, and local government oversight entities (e.g., SPREs, one-stops, etc.)--although an effective system will require high-quality performance of the latter, as well.

I. PURPOSES AND ELEMENTS OF GENERAL STRATEGY

- A. To ensure that the system delivers services that actually improve workforce skills (including academic skills needed for workplace success) and employment outcomes.
 - Use trainee outcomes as the main (but not only) criterion for program approval/inclusion; focus reviews on "value added" by provider services;
 - Define and implement higher standards for providers desiring initial entry into the system (eligibility for receiving students with government funds); and
 - Define and implement consequences--bad providers would be thrown out (presumably after some opportunity to improve), while good performance could lead to financial rewards and recognition.
- B. To adopt a continuous improvement model for providers.
 - Engage providers in the process of program improvement;

- Set performance targets based on "where programs are" (above a minimum absolute standard); gradually raise targets (but after a point the marginal returns might not be worth the cost);
 - Provide incentives for high performance, beyond the minimum level, so that even "acceptable" programs could get better; and
 - Ensure that providers show how their programs are consistent with occupational (and academic) skill standards, as these are developed;
 - Ensure strong federal technical support for program improvement through research, evaluation, and information dissemination.
- C. To ensure provision of accurate consumer information based on reporting of provider performance on outcomes measures.
- Regardless of degree of program integration chosen (Options I through III), vigorously pursue collecting, analyzing, and disseminating data to the public on the characteristics and outcomes of all covered providers.
 - Development of a national labor market information system is assumed in all options, but an information system capable of assuring quality in training systems would need to go beyond information on labor markets.
- D. To improve the cost effectiveness of system
- Take advantage of technology to share costs of information-gathering, storing, analyzing, and reporting;
 - Eliminate duplicative and unnecessary reporting burden;
 - Minimize bureaucratic mandates, focus on functions not structure; and
 - Take into account tradeoffs (e.g., exceptionally complete information collection vs. economy).

II. OPTIONS

Option 1: Better Coordination of Existing Performance/Accountability Systems

Over the past several years, there have been significant efforts to devise and implement performance-measurement and accountability systems in most of the

relevant federal programs (for example, JTPA, Perkins, and JOBS), and to improve coordination across programs and accountability systems (both at the federal and the state levels). These efforts, some of which should still be considered to be in their infancy, have met with mixed success. (A partial list of these efforts appears in Attachment 1 to this paper.) Option I focuses on strengthening these existing accountability/quality assurance processes.

In this option, separate funding streams would be maintained, but there would be:

- o common definitions, including those for program outcomes for performance-measurement purposes (may require legislative change for some programs);
- o common reporting cycles;
- o one unified (preferably) or consistent human resource development intake form for determining eligibility and appropriate services;
- o either common or separate but compatible management information and reporting systems, with capability for following outcomes (extracted from UI wage records) for individuals regardless of program or provider used;
- o waivers to allow a state to pool program-administration funds (e.g., the setaside for administration in Perkins, JTPA, others) to set up a single administrative entity to oversee the performance measurement system; and
- o improved mechanisms for sharing information on providers with the public.
- o programs to be included would be (at a minimum): Perkins, JTPA, JOBS, and Adult Education.

To achieve this vision, Option I would build on existing mechanisms (see discussion below for details); for example, it could:

- o develop and implement standards for compatible management information systems to track and analyze program-participant outcomes, available in all states through the one-stop systems; require dissemination of information on outcomes by provider;
- o create a common or consistent mechanism for recognizing very good providers;
- o ask providers to show how their programs are consistent with occupational (and academic) skill standards, as these are developed;
- o institute a process for quality improvement in all relevant programs, based on existing accountability mechanisms; for example:

- put in place a stronger requirement for institutional accountability for **Perkins** funds (using commonly defined outcomes as opposed to current state-devised performance standards and measures);
- require greater focus on outcomes in SPRE reviews for **HEA Title IV** programs; and
- revise the accountability system in **JTPA** to deal with "creaming" incentives in current system.

Pros and Cons

- Pros:
- could be implemented more quickly than other options (immediate changes could be made for the FY96 reporting cycle, with more significant changes implemented over a period of three to five years)
 - builds on on-going efforts
 - easier to target services and review outcomes for particular disadvantaged groups
 - fewer political hurdles
- Cons:
- perpetuates fragmentation and the potential for continued "mixed signals"
 - not a bold option
 - confusing to consumer
 - costly if duplication of functions in different entities
 - establishing common definitions for participant eligibility may be difficult without legislative changes
 - probably difficult to effect major improvements in program quality without major changes

Option 2: Build on the concept of the Program Integrity Triad (as delineated for Title IV programs under Higher Education Amendments of 1992)

The Program Integrity Triad as defined in the 1992 Higher Education Amendments consists of accrediting agencies, the Department of Education, and the states.

There is some overlap among the functions of the three parts of the Triad but essentially:

- o accrediting agencies are responsible for evaluating the quality of the institutions they accredit.
- o the Department of Education is responsible for determining whether the institution is stable financially and whether it has the administrative capacity to manage Title IV funds.

- o states are responsible for licensing institutions and, as a result of a new State Postsecondary Review Program (SPRP) authorized in the 1992 Amendments, for reviewing institutions referred by the Secretary of Education on the basis of statutory criteria intended to identify institutions which might present some risk to Title IV program funds.

It is important to note that the Program Integrity Triad is intended to evaluate institutions for participation in the Title IV program, not specific programs of instruction.

Note: Proposed changes in the functions of the Program Integrity Triad or the range of covered institutions, intended to improve the quality of postsecondary vocational training institutions in the context of the ETR initiative, would also likely affect the academic programs in two- and four-year degree-granting institutions that the Triad concept now covers, possibly in unintended ways. Discussion of such changes, including clearer delineation of the role of the Triad of agencies and reduction of some of the more burdensome aspects of the statute and regulations, is now going on simultaneously in the context of Phase II of Student Aid Reform.

Programs covered under the Title IV Program Integrity Triad include four-year institutions, two-year institutions, and proprietary schools. The following tables shows the number of Title IV institutions, by type and control, and the number of student-aid recipients, by the same breakdown.

Number of Title IV Institutions, by Type and Control

Four-Year	1,690
Two-Year	1,875
Proprietary	3,635
TOTAL	7,200

**Number of Title IV Aid Recipients
by Type and Control of Institution
(unduplicated count)**

Four-Year	3,364,056
Two-Year	1,549,245
Proprietary	1,394,699
TOTAL	6,308,000

Within Option 2, there are three possible ways of building on the Program Integrity Triad: expanding the range of covered providers; creating a complementary quality assurance mechanism for non-Title IV institutions; or expanding and clarifying the responsibilities of the Triad agencies. These three possibilities are explored as suboptions below, with their respective pros and cons.

Option 2a: Expand the range of providers covered by the Triad agencies

Non-Title IV providers that potentially could come under an expanded Triad system include numerous providers of adult education, JTPA, and dislocated-worker services. Such providers include community-based organizations, unions, non-profits, and other non-degree-granting institutions. Available data on non-Title IV providers show:

- o There are 2,819 programs supported by the federal Adult Education Act (year ending June 30, 1990). These programs served a total of 3.7 million clients during the 1989-90 program year. At a point in time (October 1990), there were approximately 1.7 million people enrolled in these adult education programs.
- o Adult education programs are administered by a wide range of providers in a variety of settings. For example, in 1990, 68 percent were administered by local education agencies, 17 percent by community colleges, 6 percent by volunteer organizations or community services groups, and 2 percent by regional educational service agencies or consortia of public school districts.
- o JTPA does not have data on the numbers or types of non-Title IV JTPA providers. A rough estimate is that one-third of providers to the JTPA system is not covered under Title IV.

Pros:

- builds on an already authorized structure
- emphasizes the important role of states in ensuring accountability for institutions within their jurisdictions
- provides for common gatekeeping process for large number of federal programs

Cons:

- Effectiveness of the Program Integrity Triad is untested as yet; expansion to cover new providers could be building upon what will turn out to be a shaky and cumbersome system;
- Could add providers whose mission, structure, and services may be fundamentally different from those intended in current law; no accrediting agencies are currently organized to evaluate these providers (e.g., community-based organizations, unions);

- SPRP is designed to review only those institutions referred according to narrow criteria focused on high default rates and audit problems; poor program outcomes are not included in criteria for referral;
- There currently are no standards for eligibility for programs like adult education; these would need to be developed; and
- Likely strong opposition from higher education community to expanding the role of the Triad to include other providers, particularly if no additional funds are provided.

Option 2b. Create a Complementary Quality Assurance Mechanism for Institutions Not Covered by the Triad.

This suboption would retain the Triad for Title IV-eligible institutions, but create a new state/local quality assurance mechanism to certify program quality and labor market need for all other institutions eligible to participate in the ETR initiative (e.g., community based organizations, unions).

States would establish a parallel procedure to determine eligibility for providers not eligible under Title IV of HEA. The procedure would be based upon performance standards established by the Secretary of Labor, and would be comparable in rigor to those established under Part H (Program Integrity) of the HEA.

A variation on this sub-option would be to utilize information about local labor market supply and demand in determining institutional eligibility.

Pros:

- Builds on a gatekeeping system that is already in place for higher education. Aligns standards for non-Title IV provision providers with those for higher education.
- Creates prominent state role.
- Establishes a uniform gatekeeping mechanism in the JTPA system (now, some JTPA providers are covered under Title IV provisions and some are not).

Cons:

- Establishes two separate systems resulting in inefficiency in resource use and greater burden for states.
- Triad primarily focuses on institutional capability--not program quality.
- Locals, not the state, may be better judges of program quality.

Option 2c: Strengthen and Clarify the Quality-Assurance Roles of the Three Components of the Triad

It has been argued¹ that the 1992 HEA amendments left significant overlap in the quality-control functions of the three members of the Triad.

Furthermore, the 1992 legislation sets more than a dozen criteria for what "triggers" institutional review, but no procedures to prioritize these criteria. This option would be designed to clarify and strengthen the roles of the three (whether or not the range of covered institutions is expanded to include non-Title IV providers), as follows:

- o the federal government would require state and accrediting agencies to ensure that institutions meet minimal academic performance standards, and might review institutions' financial and administrative capacities.
- o states would serve as gatekeepers in a strong initial licensing process focused on consumer protection and minimum standards. States would review triggered institutions through the SPREs and collect information on institutional performance measures.
- o accrediting bodies would ensure that all institutions have high-quality systems to provide outcome information and admissions policies consistent with strengthened student eligibility requirements for Title IV funds. These bodies could play a role in determining student and institutional eligibility for federal aid programs. The accreditation process would include peer review for occupational providers that would include employers as well as provider peers.
- o priorities would be assigned to the criteria for triggering an institution for review; highest priority should go to institutional performance measures (for example, low levels of job placement and compensation, a persistent pattern of student complaints, low student test scores on licensing and exit exams, unreasonably low graduation rates).
- o criteria for determining whether individuals were eligible to participate in federally financed postsecondary job training would be clarified and strengthened, as well, including a requirement that individuals first demonstrate competence in basic skills.

Pros:

- builds on an already authorized structure
- eliminates overlap in roles

¹ Much of this discussion is adapted from Arthur M. Hauptman and James R. Mingle, "Standard Setting and Financing in Postsecondary Education" (June 1994 draft)

- emphasizes role of states in ensuring accountability for institutions within their jurisdictions

Cons:

- requires very long development and implementation period
- proposes changes to a system that has not yet been tried
- not clear how accrediting agencies would be able to review providers such as unions, non-profits, community-based organizations
- strong opposition from the higher-education community

Option 3: Design a New Multilevel System for Reviewing Program Quality

This option assumes that improved program quality and performance in a unified education and training system will require a fundamental redesign of current job training and education quality assurance activities. This system is based on an integrated network of statewide management information and reporting, using a federal lexicon of uniform terminology and common measurable participant outcomes, with universal access statewide to training and education provider performance information for governmental and customer use. In this option, specific roles and responsibilities for ensuring quality are assumed by each level (federal, state and local) with collaborative decision-making representing major job training and education programs.

Gatekeeping

States will have an expanded role at the front end in "certifying" education and large-scale training providers for eligibility to receive direct federal funding and to enroll federally assisted students. Federal resources will be allocated to carry out expanded MIS and review activity. Local boards will certify smaller, locally-based training providers. Qualifications for certification will be based on customer achievements (outcomes); meeting minimum outcome standards and targeted service levels, where appropriate. Institutional accrediting becomes less important in the provider certification process, and takes on a new role in promoting uniform program quality benchmarking.

Common Goal-Setting

To ensure that there is a common set of performance goal and accompanying outcome measures, all agencies contributing resources will collaborate in the goal-setting process, in pursuing these outcomes as priorities, and in ensuring that each agency is accountable for achieving them.

- o Workforce Investment Boards (WIBs) authorized under the Reemployment Act provide a model for such collaboration and local strategic planning, monitoring progress and oversight of programs

participating in the one-stop system. Vertical continuity is built into the design by requiring WIBs to conform their plans to the overall statewide strategic plan developed by State Human Investment Councils.

Management Information Systems

With goals and outcomes that transcend individual programs, information systems need to track progress and performance across programs, as well as within them.

- o **Information is shared** between system components and, to a limited extent, across levels of government in an automated network or information highway. Information systems require a common language and format so that the results achieved through their collective efforts can be monitored. Although start-up costs of design, equipment and training could be high, many States are already on the way toward shared information systems. Both JTPA and JOBS maintain national databanks of client information. **ISSUE:** One unresolved issue is the scope and breadth of information which is to be maintained and/or reported at each level (local, state and federal).
- o **Information is based on individual customer records** for the purposes of tracking multiple encounters with multiple providers and for tracking progress over time. **ISSUE:** It will be necessary to address the issue of how individual records will be maintained. For example, a common personal identifier will be necessary, e.g., Social Security Number. **ISSUE:** There may be current restrictions on use of the SSN for these purposes. Legislative language may be needed.
- o In the JOBS program monitoring and reporting costs have been cut by **reporting on a sample of participants on a periodic basis**. This provides frequent snapshots of client/program status at scheduled points in time. Another advantage of sampling would be that it provides performance information throughout the cycle--rather than one point in time--while potentially reducing the actual number of contacts.
- o **Program design and contracting cycles may have to be changed to accommodate a multi-year framework**. Budgeting and administrative management are currently oriented to yearly cycles, yet most customers' lives and transitions do not stop and start in neat 12-month cycles; some may need long-term, intensive services)

Measurable Outcomes

In the new integrated workforce development accountability system, there should be appropriate places for both process (or interim) and outcome measures. Process

measures can be effective tools for assuring the quality of programs. Also, there are equity issues important to government programs that may be absent from pure competitive models. Access to and receipt of services by various population subgroups are some process measures that most likely would be required in any program or system that serves less than the entire eligible population.

- o Performance measures must be flexible to accommodate differing needs of different types of customers:
 - information only
 - drop-in/drop-out (multiple encounters)
 - short-term intensive need
 - long-term intensive need
 - short-term moderate need
 - long-term moderate need
- o For example, suggested measures to assess one-stop center performance include employment-related (placement, retention and earnings), target group service levels, non-employment related (skill attainments), customer satisfaction and cost efficiency. Measures for assessing WIB performance relate more to labor exchange and market penetration.

A system of tiered performance measures may be needed that includes process measures shown to be directly related to program quality and outcomes measures shown to be directly related to customer achievements.

- o The Oregon Workforce Quality Council has proposed an "In-Crisis to Thriving Grid" of benchmarks and services that targets people in the emerging and transitional workforce within stages over multi-years.

To ensure continuity in performance measurement and consistency in goal setting, local program performance tracking should be against a core set of performance measures developed to support federal goals.

- o Both the REA and vocational education prescribe a limited number of core federal measures to be supplemented by additional state-designed performance measures. This has the advantage of providing state and local flexibility within a framework of basic standardization.
- o Systemwide employment outcomes are feasible with the use of Unemployment Insurance wage records as a universal source of both pre- and post- (short- and long-term) client employment and earnings information. ISSUE: Currently interstate and intrastate access to these data is impeded by the various States'

confidentiality and privacy provisions; use of these records should be uniformly regulated at the Federal level.

- o **Non-employment outcomes** are more difficult to track and require more complex measurement systems. **Interim performance measures** (such as learning gains, literacy gains, skill attainments) assess progress over time toward ultimate outcomes.
- o Minimum levels of performance for certification/sanctioning will be set federally with some adjustments for trainee/student characteristics, nature of the education/training and local labor markets. As national literacy goals and skill standards are developed, assessments against these can serve as intermediate benchmarks for gains in basic and occupational skills or outcome attainment of national skill standards.

Incentives and Sanctions

- o While the selection of performance measures does in itself motivate organizational behavior, there should also be an **incentives and sanctions system with "teeth"** in order to focus the direction of the stakeholders towards the goals of the system. Since a multi-tiered, multi-year performance measurement system is proposed, it should be the same with the incentives and sanctions system.
- o State review agencies will carry out end-of-year performance reviews of one-stops' performance based on federally established performance criteria. One-stops that do not meet overall performance standards will undergo intensive state review to identify poor performing providers. States can intervene effectively in behalf of centers to encourage previously "certified" providers to turn around poor performance before sanctioning and "de-certification" occurs. Continuous poor performance (for two years) will result in de-certification of service providers.
- o Incentives, in addition to funding, could also include relaxation of certain standards, waivers of certain requirements, "seats" on the Workforce Investment Board or other advisory councils, national recognition on a National Report Card, or others. Sanctions should also be multi-tiered and flexible, monetary and non-monetary.

Quality Assurance

The performance management system will play an integral role in ensuring the quality of programs and services provided through the new system. First, performance standards, incentives and sanctions will help assure accountability to the taxpaying public. Second, the performance management system can be designed to promote continuous improvement by including measures of performance improvement.

- o Assuring adherence to design standards and staff qualifications with a system of **supplier certification and recognition** should be another component of the quality assurance subsystem. The process of certification can be voluntary or mandatory, internal or external, and with or without incentives.
- o The new system should also include elements that focus on individual accountability and "quality." Individual accountability could be fostered by adoption of a **contract or agreement between customer and service provider(s)** that stipulated the rights and responsibilities of each. This has been proposed as a proxy indicator that stands in for non-quantifiable factors such as motivation and perseverance. It may possibly contribute to increasing the return on social investment in a system that selectively serves less than the total eligible population, since presumably customers willing to sign and stick to such an agreement would give more of themselves to the process than those who are not willing to do so. Such a contract might not be appropriate or cost-effective for all types of customers in the new system, but for those who receive individualized assessment and/or for those whose contract with the system is anticipated to be longer-term, a contract or agreement between the customer and service provider(s) might help to ensure that customer contact is maintained throughout the period of accountability and that anticipated outcomes(s) may, in fact, be realized.
- o **Customer (trainee) credentialing and recognition** for those who meet or exceed educational and occupational skill standards or private and professional certification and recognition systems could provide strong customer performance incentives and quality indicators on both the individual and provider/program level.

Pros:

- conceptualizes "one system"--probably best chance at standardizing outcomes

- more customer-oriented assessments upon which to select and retain providers

- more rational, logical structure clarifies goals and roles for all stakeholders

- more efficient training providers will continue to get certified and utilized by federal customers

Cons:

- dependent on legislative/budget initiatives

- potential for adding layers of bureaucracy

- initial cost increases for system startup

- disruptive to current systems

- full-scale implementation would take 3-5 years

Attachment 1

Summary of Existing Efforts to Improve Quality and Coordination in Education, Employment, and Training Programs

Over the past few years, most legislation pertaining to training programs has incorporated concerns for quality assurance and coordination across program structures, through requirements for development of performance standards, establishment of entities to review institutional performance, cost provisions that virtually require coordinated provision of services, and the like. In this option, we would build on existing accountability and coordination mechanisms. Some examples are:

Existing Federal efforts at quality assurance and coordination

- o **JTPA legislation** has mandated performance standards for providers of training for more than a decade. Program performance measures include follow-up employment and earnings rates. However, the standards set and financial incentives to reward high performance appear to have encouraged "creaming" (selection by providers of the best prepared or easiest to serve program participants).

The JTPA legislation also creates strong incentives for coordination at the state and local levels among training, education, employment security, and vocational rehabilitation systems. The Act sets aside targeted funds for coordination, and the cost structure requires drawing on services funded through a variety of programs, and therefore encourages coordination.

Furthermore, the 1992 JTPA amendments allow States to establish human resource investment councils instead of State job training coordinating councils. These councils may provide oversight of JTPA, vocational education, Adult Education Act (AEA), Employment Service, JOBS, and Food Stamp Employment and Training programs. Such state-level councils could be powerful tools for quality assurance and coordination.

- o **The Family Support Act of 1988** mandates the development of performance standards, and requires governors to ensure coordination among JOBS and JTPA, Adult Education, and Perkins services. Funding provisions create strong incentives for linking programs, and States are allowed to fund case managers to coordinate services across programs for individual clients. In fact, JOBS has relied heavily on other employment, training, and education programs (including JTPA and Adult Education) as sources of services.
- o **1990 Amendments to Perkins Act** specify that states must establish performance standards for programs and sites receiving Perkins funds. But standards for secondary and postsecondary programs in given districts

typically have not been linked, and state efforts, while following the letter of the law, have not generally resulted in adequate measures of provider effectiveness.

- o **1992 amendments to the Higher Education Act** specify a Program Integrity Triad of agencies to certify minimum program adequacy (accreditation), review institutions identified by states as meeting certain criteria for concern (SPREs), and certify eligibility for receiving federal funds under Title IV (federal government). Potentially troubled institutions are triggered for review by criteria which focus on default rates and other audit measures (although once actually referred, review also includes attention to program content and participant outcomes).
- o **The Core Data Elements Project** was undertaken by the Secretaries of Agriculture, Education, HHS, and Labor in response to a legislative mandate in JTPA. An interagency team has:
 - developed a recommended set of core data elements, including demographic elements, services received, service completion, program outcomes, and employment descriptors;
 - developed common definitions of the terms used in the core data elements, including outcomes such as "entered unsubsidized employment;"
 - agreed that insofar as one of the agencies requires reporting of information on subjects that are covered by the core data elements, the corresponding core data elements and common definitions will be used; and
 - recommended that the effort be expanded.

Existing state efforts to improve program quality and coordination

Some States are trying to create integrated tracking systems. For example, Iowa is designing an integrated information system for JOBS, JTPA, and the Employment Service. Eventually, the state will move to an integrated system that supports assessment, eligibility determination, case management, and tracking.

39 states already have one-stop systems for accessing some employment and training services, according to DOL. And some states have experimented with collocating JTPA and JOBS, with case managers coordinating services from a range of programs.

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*Private Sector***WORKER TRAINING:
PROBLEMS AND POLICY OPTIONS****I. The Problem**

There is a general consensus that various changes (e.g. expanding global economy, new technologies, deregulation) have led to increased requirements for worker skills and education. One result of this rising demand for skills has been increasing wage and employment inequality tied to education and skills of workers. Those workers with less education and training generally have had falling real wages over the past decade.

The U.S. policy response to this problem has focused on improving K-12 system and school-to-work, with little emphasis on improving skills of existing workers. Seven-tenths of the 1992 workforce, however, will still be in the workforce in 2005, implying that training today's workers is essential for tomorrow's competitiveness.

Most U.S. employers (over seven-tenths) provide some type of formal training but a relatively small proportion of workers (less than one-quarter) receive such skills training and disproportionate amounts go to the highly educated and skilled workers. Further, relatively small proportion of current workers finance their own skills training.

Our major competitors have policies to ensure training of current work force and these policies do produce more incumbent worker training.

II. Barriers to Worker Training

Employers will provide training to their current workers to the extent that the expected benefits of the training, in terms of increased productivity and output, outweigh the costs of the training, as reflected in lower current output by the worker and employer expenditures. Employer-provided training in the U.S. may be constrained by:

- Relatively high worker turnover, particularly given the need of many workers for general training prior to more specific training, which makes it uncertain that a specific employer will be able to capture the benefits of the training;
- Relatively scarce commercial financing for human resource development, which forces smaller companies to finance training from limited retained earnings; and

- Lack of knowledge concerning the importance of training in effectively implementing high performance workplace practices and new technologies, which appears to limit training investments in even larger companies.

Workers will finance their own training and education to the extent that they perceive that the expected benefits from such training, in terms of increased earnings and better employment opportunities, will be greater than the costs, in terms of foregone earnings and out-of-pocket expenditures. Worker-financed training and education is likely to be constrained by:

- Uncertainty about the returns to training in terms of actually producing increased earnings, compounded by insecurity, poor basic skills and the fear that the training may not be useful for a wide range of jobs; and
- Scarcity of commercial financing for continuing education and financing.

III. Policy Options -- The various policy options available for removing or reducing the constraints to greater worker training are not mutually exclusive, given that more than one of the options may be needed to induce more adequate amounts of worker training. The primary options can be grouped in 3 categories -- education/recognition, direct assistance through loans and grants, and indirect assistance through the tax structure.

A. EDUCATION/RECOGNITION

Option 1: Establish an Awards Program -- Establish a new program to provide awards to employers who make a significant commitment to incumbent worker training by providing training to a wide spectrum of their workforce and using state-of-art training techniques, particularly within context of implementing high performance work place practices.

PROS

Would be a low-cost way of promoting the importance of worker training in achieving higher productivity and providing high visibility to companies with who are most committed to both training their workforces and adopting transformed work practices.

- Although most firms already view training as important for improving productivity, many of them may not realize the importance of connecting training to transformed workplace practices.

- Recent survey found that Baldrige award has achieved its goals of promoting and sharing quality requirements and strategies across a wide spectrum of firms; a comparable award for worker training presumably could spread quality training techniques across firms.
- The Baldrige award has spawned 25 state programs that further promote quality practices; a new worker training awards program presumably could have the same effect.

CONS

- May not be possible to generate as much interest in new training award as currently exists for Baldrige award because Baldrige focuses on quality improvement techniques and provides companies with significant incentive to compete for the award (e.g. companies advertise that winning award means higher product quality).
- Training awards (LIFT awards) given by DOL in 1990 and 1991 did not attain the high visibility of the Baldrige award.

Option 2: Undertake an Education Campaign -- Establish a nationwide education campaign to inform employers of the importance of investing in their workforces. The campaign would be run through a coalition of business groups with an association such as the National Alliance of Business acting as the head of the coalition. It would involve a number of activities, such as media-focused initiatives (PSA's, op-ed pieces, TV specials), education and capacity-building services to businesses (quick response information services including customized information packets, referral to regional training resources and seminars and workshops), and certificates of recognition for firms investing in training. Costs likely to be less than \$1 million per year.

PROS

- Relatively low-cost way of providing a minimal level of information to a wide range of employers concerning the importance of training, particularly in the context of transforming work practices, as well as attaining the benefits resulting from a new training award.
- Although most firms already view training as important for improving productivity, many of them may not realize the importance of connecting training to transformed workplace practices.
- Could build momentum and public consensus for more extensive and radical reform of public policies supporting worker training.

CONS

- Level of information is likely to be limited to general importance of training workers and adopting transformed work practices, as opposed to detailed information that individual companies need to shape specific training strategies or programs.
- May be less expensive ways of building momentum and public consensus for more radical reforms, e.g. distribution of educational materials through employer and trade associations.

B. DIRECT ASSISTANCE

Option 3: Loans for Employers -- Use Sallie Mae or some other institution to create a secondary market for loans made to employers for human resource development to ensure availability of financing for such activities, particularly for mid-size and small firms that have limited internal financing capacity for human resource development. The creation of a secondary market could be augmented by credit assurance provided by States, in the form of loan loss reserves or guarantees, to improve access to financing for companies which would otherwise not be considered credit-worthy (Sallie Mae running pilot in Connecticut to test concept).

Recent survey data indicates that lack of commercial financing is a significant constraint to worker training, given that:

- o only 5% of employers currently borrow to pay for workforce training programs and about 60% doubted they could obtain such loans if they needed them, even though large majorities of employers surveyed expected to need to increase their spending on training over the next 5 years including firms that currently do not provide training; and
- o for firms that do not provide training, the most common explanation is that they have access to an supply of skilled labor (47%), but the second most common reason given is the lack of adequate funds (42%).

PROS

- Would be relatively low-cost way of reducing a significant barrier to employer-provided training; primary budget costs would fall on those States providing credit assurances.

CONS

- Creating secondary market employer loans may not be

sufficient to remove financing constraint for firms that do the least training; may require Federal loan guarantees or other types of credit enhancement to have significant impact on worker training, which would result in significant budgetary costs.

Option 4: Loans For Workers -- Expand the availability of loans for incumbent workers by: (1) marketing the eligibility of such workers for student financial assistance under the new direct loan program; or (2) combine a marketing effort with statutory revisions of the direct loan program to make it more applicable to existing workers. Marketing the current program, with no statutory changes, would have no direct impact on the federal budget other than the expenditures incurred for the marketing effort. Statutory changes to remove barriers for non-traditional student groups would result in charges to the Federal budget based on the expected increase in demand for loans resulting from program changes.

PROS

- Potentially would remove one of the principal constraints to worker-financed training, given that commercial financing is not generally available and student financial aid generally has been targeted to students in traditional educational programs.
- Marketing of current program would be very low cost way of removing financial constraints, given that marketing efforts would be only impact on Federal budget.

CONS

- Current structure of student loan program presents various barriers to non-traditional students, including being restricted to degree programs in community colleges, proprietary schools, and 4-year institutions.
- Institutional capacity of current program may not be adequate to service a large number of new customers (Financing and gatekeeping groups to assess viable options)

Option 5: Training Consortia For Employers -- Establish a program to induce firms to form training consortia, either on an industry or area basis, including the provision of incentive grants and the removal of legal constraints inhabiting such consortia. The program would consist of seed grants and technical assistance to establish such consortia, focusing on smaller and mid sized firms.

PROS

- Relatively low-cost way of inducing more firms to share training or risks they might not assume on their own in order to reduce both overhead costs and uncertainty of returns to training.
- Could expand access of small businesses and their employees to basic education, job skills upgrading and transfer of latest training technologies and techniques.
- Might help more firms send personnel for train-the-trainer instruction.
- Would be market-driven, as employers would be paying for the training and choosing providers.

CONS

- While used in some industries like construction, most firms are reluctant to use training consortia because of concerns regarding loss of proprietary information and raiding of trained employees by firms outside consortia.
- Consortia are slow and cumbersome mechanisms for reaching a consensus.
- Small firms often do not join trade or industry groups, may not receive the right types of training in a consortia, and must still overcome the cost of time spent in external, formal training.

Option 6: Training Grants for Employers -- Establish a federally-funded program to provide training grants directly to employers either by expanding State-based programs that provide a combination of technology and training assistance to employers or by establishing a grant program through the Manufacturing Extension Centers (MEC's). The option would address the constraint that many smaller firms do not possess the knowledge or the resources to undertake the training needed to effectively implement new technologies and associated workplace practices.

State Programs -- Federal funding could be used to expand new and innovative state initiatives that combine training with technical assistance aimed at workplace transformation.

PROS

- Attempts to induce greater worker training in the context of workplace transformation where training has proved to be

highly effective.

- Much of resulting training likely to produce general and transferable skills needed to implement new workplace practices and procedures.
- Has potential to directly remove significant funding and knowledge barriers for individual firms in undertaking increased worker training.
- Might induce states to shift resources away from less productive customized training efforts.

CONS

- Current efforts linking training and technology assistance are concentrated in a few States and are relatively new, suggesting that it may be more appropriate to use limited Federal funds to promote integration of services at the state level.
- Even when expanded, such grant programs are likely reach a relatively small proportion of employers unless organized like Pennsylvania's regional centers which provide "one-stop shopping" for small- and medium-sized firms.
- Unless targeted, training grants may substitute for training that otherwise would have been financed by the firm.

MEC Option -- There are currently 35 centers at various stages of development and the goal is to have 100 centers by 1997.

PROS

- Would link training to the introduction of new technologies, where it is likely to be highly effective in increasing productivity.
- Has potential to directly remove significant funding and knowledge barriers to training for individual firms attempting to implement new technologies.
- MECs have direct linkages to small and medium size companies, are developing linkages to training and human resource providers, and will soon have nationwide network.

CONS

- MECs likely to serve relatively small proportion of employers, particularly since they are limited to manufacturing.

- MECs still have relatively little expertise in human resource issues.
- MECs act as quasi-consultants for client companies and the provision of grants would be inconsistent with this consulting relationship.

C. INDIRECT ASSISTANCE

Option 7: Tax Incentives For Employers -- Establish tax incentives to expand employer-provided formal training (in addition to full deductibility of current expenditures).

PROS

- Would reduce costs of formal training for a wide range of firms through the U.S. economy (those with tax liabilities).
- Would increase the visibility and strategic role of training in many firms as most employers would have an external incentive to evaluate the amount of training currently taking place and determine the need for additional training.
- Would allow employers maximum flexibility to choose training that has greatest effect on productivity and profits.
- Would minimize bureaucracy usually associated with providing assistance to employers.

CONS

- Unless targeted in some way, it could produce significant "windfall" effects with employers receiving tax savings for training that they would have provided in the absence of the tax incentive (some part of these windfall effects may reflect the substitution of formal training for informal training).
- For any type of new tax incentive, administrative and compliance costs are likely to be high.
- Would not apply to firms or individuals with no tax liabilities, many of which are likely to be smaller firms that now do the least training.
- Given knowledge barriers, employers may make short-sighted decisions.

Option 8: Tax Incentives For Workers -- Establish new tax incentives to expand individually-financed training, either

through a new tax credit or expanding existing provisions for deductions.

PROS

- Would reduce costs for most individuals of continuing education and training needed to obtain new skills and new jobs, thereby encouraging individual workers to invest in themselves.
- Would emphasize individual choice in the selection of education and training.

Would minimize bureaucracy usually associated with financing of employment and training for individual workers.

CONS

- Unless targeted in some fashion, would produce significant "windfall" effects by subsidizing individual training and education that would have occurred in the absence of the tax incentive.
- Would miss entirely persons who have no tax liability, many of whom are most in need of training.
- Establishing a new tax incentive may result in high administrative and compliance costs.

GOVERNANCE

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October 6, 1994

ETR WORKING GROUP ON GOVERNANCE: OPTIONS

There are two issues to be covered by this group: (1) State/local governance; and (2) Federal governance. The former is, inescapably, being discussed in several of the other groups; this paper summarizes primary options.

The strategy for JTPA Youth, Perkins vocational education, and School to Work is reserved for separate discussion in the Urban Policy/Youth policy context.

The Options mainly address the major programs: ES, JTPA (including Dislocated workers), Adult education, the postsecondary portion of Perkins vocational education, the vocational education portion of Pell grants and student loans, JOBS. The eventual proposal will have to deal with the scores of smaller programs (the GAO list) as well, through elimination, consolidation or improvement.

STATE/LOCAL GOVERNANCE

For immediate purposes, assume the continuation of a funds flow to States and to local grantees. The initiative needs to a governance structure that gives credibility to the claim of moving toward a more effective, efficient "system."

State/local Options:

(1) **State flexibility: a leading edge state strategy with an end game.** The States are granted control, centrally or through local entities, of the management of, and accountability for, major program resources, in order to provide an integrated system within each State. States may obtain the authority to modify Federal program designs (including administering entities) immediately on approval of an acceptable plan, or can receive planning grants immediately and receive two years to make such a plan. Access for the disadvantaged at least at the levels of the current laws would be required. Performance management and accountability would be required. Use of common definitions and eligibility terms would be required.

- o Failure to arrive at a plan by a date certain would result in loss of an increasingly large share of funding for each year of such failure for, say, the third and fourth years. No plan by the fifth year authorizes the Secretary(ies) to contract with other entities or levels of government to provide services (there is precedent for contracting out in ED's "bypass" arrangements for States that cannot use funds to serve students in parochial schools as required by Federal law under Title I of ESEA and elsewhere).
- o Alternatively, there could be a five year sunset on each major program, with a requirement for the President to submit to Congress his reform legislation, based on the preceding four+ years of experience in the States.

[The point in the above bullets is to ensure that reform really happens in every State. This is not addressed in the comparable leading edge strategies of Goals, School to Work, or the Senate staff draft bill.]

PROs:

- o Consistent with the desire for bold reform.
- o Offers a strategy that accepts that the Federal government does not know what works best, thus turning the basis of most criticism into a supporting argument for the initiative.
- o Responds to the recommendations of the National Governors Association and the National Performance Review for stronger State role.
- o Uses the strategy with which Congress seems comfortable, as shown by enactment of it for School to Work and Goals 2000.
- o Should be supported by States.
- o Permits elimination of substantial Federally-mandated bureaucracies, freeing more funds within any aggregate level for services and benefits. Permits reduced Federal staffing requirements.

CONs:

- o By delegating reform down to the States, can be attacked as the Federal government failing to clean up the problems caused by its own laws.
- o Because quality of implementation rests with the individual States, it cannot fully claim to ensure improvement.
- o Advocates for the disadvantaged may oppose for fear of loss of influence, and for fear that individual States will not ensure access to services for the target populations despite the requirements for such access and for accountability and performance management.
- o States may devise systems no better than those under Federal law now and with no less bureaucracy.

(2) **Federal reform of the delivery system.** By Federal law, over a two year period, services and benefits provided under the major programs are integrated into one system that works through a single chain of responsibility to the States and localities to manage the provision of, or provide directly, the benefits and services to eligible groups. State/local flexibility to tailor the detailed design can be provided. The major program

authorities are, at the end of the transition period, repealed or substantially modified as appropriate.

PROs:

- o Can readily be billed as bold reform, with the Federal government taking responsibility for responding to the criticisms (GAO et al) of the programs it has legislated.
- o Is consistent with the rhetoric of REA – necessity for a strong central labor exchange and program coordination – and thus appears as a successor to that proposal, for which the Administration worked so hard.
- o Eliminates significant State/local bureaucracies and makes reductions in Federal staffing easier to achieve.

CONs:

- o Would be difficult to move through Congress because it eliminates so many opportunities for Congress to take credit for providing funding for specific groups, and attacks programs in which interest groups and many in Congress have a significant stake.
- o Despite a grant of some flexibility, could be criticized as continuing to substitute Federal for State/local judgement.

(3) **Incremental reform.** Following the REA proposed approach, the focus is on building up the One-stop system in each State, with major program sets in each agency continuing as separate authorities but with changes and authorities to States that:

- o simplify each program's management requirements, sharpen accountability and performance management, make changes needed to adapt appropriate programs (e.g., not JOBS) to needs of incumbent workers and lifelong learning;
- o make programs work in a more coordinated fashion by giving States and/or localities more authority to require more programs to operate through their One-stop system.
- o allow broader waivers to experiment with how to move toward greater efficiency and effectiveness across programs.

PROs:

- o Recognizes that there is no consensus on the "ideal" national system design among the agencies, in the States, among the interest groups or on the Hill.

- o Responds to the desires for substantial program improvement with a strategy that provides lessons to guide future legislative change toward more fundamental Federal program reforms.
- o Is the most consistent with the approach in REA.

CONs:

- o Cannot readily be billed as a "bold" vision.
- o Does not meet the criticisms of the current system or of REA.

FEDERAL GOVERNANCE

A new set of program initiatives unaccompanied by Federal level policy and program management improvement will not satisfy the need to improve program coordination.

Employment and training programs have been run jointly by at least four separate agencies since the 1960s: training under the MDTA run by DOL and HEW/HHS; training and related services under EOA by OEO, DOL and HEW/HHS; welfare work programs by HEW/HHS and DOL; School to Work by DOL and Education.

The degree of true policy coordination, however, has varied greatly over the years. It is now at one of its high points because of the personal efforts of the Secretaries, but the ETR process itself has revealed how little each agency's staff really knows and understands about each other's programs.

Federal governance options:

(1) **One Federal agency integrating all the major programs.** On the face of it, this is the most obvious and simplest approach. Complexities can still arise from intra-agency issues (witness ED's problems with at least three Assistant Secretaries and an Office Director each providing independent direction to the States and localities), but they cannot be as severe as what arises from inter-agency issues.

PROs:

- o This is the boldest possible Federal governance option.
- o Offers maximum opportunity for policy coordination and consistency.

CONs:

- o Interest group opposition and the Option's effects on subcommittee jurisdictions would make this virtually unenactable.

(2) **Statutory Interagency Board**. A statutory body could go a considerable distance toward institutionalizing common approaches to policy, implementation strategy, analysis, evaluation and continuous improvement functions, all of which are now at the discretion of the sitting officers in each agency.

PROs:

- o Preserves agency independence while putting the force of law behind coordination and policy integration.
- o For waivers, assures a one-stop shop for States and localities.
- o May satisfy proponents of structural change to ensure policy coordination.

CONs:

- o Cannot ensure maximum policy coordination and consistency.
- o Does impose some limits on the independent authority of each cabinet officer.
- o Interest groups and subcommittees connected to a particular agency may oppose perceived loss of some influence.

(3) **Administrative procedures**. The ETR process, which was initiated by a memorandum from the Chief of Staff, is testimony to the ability of a non-statutory mechanism to elicit interagency policy analysis and strategy, at least in this Administration. A similar Executive Order or Memorandum could establish an on-going process to coordinate policy, program operations, technical assistance, evaluation, research and demonstration. Further, it could be reinforced by budget process requirements, including: joint agency annual budget submissions to OMB; joint OMB budget hearings; an OMB crosscut for decisions; joint agency Congressional Justifications; proposing joint appearances before the appropriations subcommittee(s).

PROs:

- o Responds to the criticism of the absence of credible mechanisms for policy coordination and consistency and for waiver approval.
- o Retains the maximum independence of each agency.
- o Arouses the least antagonism in the interest groups.

CONs:

- o Relies solely on the personal commitments of appointees at any point in time.
- o Will not satisfy proponents of statutory structural change for workforce development policy.

Comments on the Education Streamlining Plan

The first 19 pages of the plan are heavy on legislative achievements and content and progress taken to date or predicted. This is interesting, and generally well written, but is not tied directly to the streamlining plan itself.

Although the plan does indicate that ED will achieve the FTE goals provided in OMB guidance, there really is very little, if any, discussion regarding how ED will still be able to achieve its goals and maintain, or improve, service with the FTE cuts.

There is still very little detail about a real structural change in the Department. Page 7 hints that "program offices in the Department will restructure in ways that will require reinvention of roles, relationships, and behaviors of both managers and staff." But, it goes no further in discussing what the restructuring will be, especially in relationship to the FTE goals. Page 6 states that ESEA will make change possible through a new kind of partnership among schools, communities, States, and the Federal Government. However, there is no discussion of the implications of this partnership on ED staffing. The same is true of the discussion on page 7 on comprehensive reforms.

The detail in Attachment C shows FTE reductions in most programs resulting from the reduction in supervisory positions, not from major restructuring or reinvention. This may be problematic on several fronts. First, merely eliminating a supervisor as an end in itself is not the type of restructuring or reinventing that the NPR had in mind. Second, OPE, with its new direct loan program, will be taking on the task of managing over \$20 billion in new loans per year, not to mention the large number of consolidation loans that are possible. With this enormous amount of financial capital at risk, is it necessarily prudent to manage these funds at a lower grade level and with fewer managers? There is very little discussion about how OPE plans to use or organize its FTE to cope with the new direct loan program and the other loan programs and higher education accounts. The direct loan program has had some successes in organization and team building and those should be brought out in more detail.

In two different places (page 18 and page 21), ED discusses using contractors as an augmentation to streamlining. The Federal Workforce Restructuring Act prohibits agencies from converting the work of employees included in the 272,000 reduction or buyouts from in-house to contract performance unless a cost comparison is done. These two statements regarding the grants process and the direct loan program may give the impression that ED is doing exactly that unless cost comparisons are provided.

There is no discussion regarding OSERS. OSERS has repeatedly been attacked for serious program oversight deficiencies, yet it is slated for a 65 FTE cut (16 percent). This is not going to engender confidence without a description of a restructuring plan and an explanation for how the program will be able to meet its goals. The FTE cut may well be justified, but it is impossible to evaluate from this streamlining plan. The same can be said of the discussion on OCR. It has been reorganized to take a more proactive approach and

based on practice and pattern, investigate issues and problems on a broader basis. Again, this may require fewer FTE, but that cannot be established from the discussion in this plan.

Some specific comments, by page, follow:

Page 5: The 2-4 bullets under the Goals 2000 results do not relate to the work of ED staff. The fifth bullet does not seem relate at all to streamlining.

Page 8: There is a noticeable lack of mention of the School-to-Work GPRA project (although SFA is mentioned in the plan). In addition, the first three bullets allude to a requirement for a 'profound change in behavior' on the part of ED staff, but do not tie those changes to staffing/FTE.

Page 9: The discussion on priority three states that the "Department has adopted strategies that remove financial barriers ..." This should be restated to be more realistic -- there are plans to do this, but it is not an accomplished fact.

Page 10: Can we really say that borrowers with more than one FFEL loan will soon be able to consolidate their individual loans to "simplify their paperwork?"

Page 15: The discussion on the Pell Grant shortfall should be deleted. It is not a performance improvement. It's a re-estimate.

The graphs on the two charts have a different "x-axis," yet they are shown as if they start from the same point. Fix these to show the break.

The discussion on the new Student Financial Aid Database should be revised to show that it is currently being studied. It is not budgeted.

Pages 9-15: (priorities 3 and 4) There is practically no discussion on improved gate-keeping even though that is the OMB high-risk area.

Page 20: The third paragraph indicates that the Direct Loan program is a new Presidential investment. It is not.

The fourth paragraph appears to indicate that the Pell Grants and campus-based are being phased out! The sentence should be written as, "The waiver allowed the Department to staff up in the Direct Student Loans, while maintaining staff for the phase-out of the guaranteed Federal Family Education Loans (FFEL), and continued operations of the Pell Grant program, and other student aid programs." Also add the Department's IG and OMB to the list of past critics of the programs.

November 4, 1994

Note for: Belle Sawhill ✓
Bill Galston ✓
Bernard Martin

From: Barry White 

Subject: GAO 154 program list

As discussed this morning, here is the table with the GAO list. This listing has been cleaned up some from what GAO did, correcting program names and agency attributions where we could. We never could identify several programs.

The dollar totals are different from GAO because we were updating for the 1994 actuals and the 1995 budget. They would be different again if updated for 1995 enactment -- as we should do later, before we use the list.

Also attached is a legend that explains the multiple columns following the dollar columns. This was a first attempt to sort the programs a variety of ways. It did not work very well. We failed to define the categories with a degree of precision sufficient to elicit comparable labeling across agencies and programs.

This spreadsheet is on a lotus file and is thus relatively easy to manipulate, should we decide on revised categories. The big time consumer is the actual assignment of categories. There are dozens of examiners whose input is needed to do this, so time is needed for any new pass at this.

c: Larry Matlack

COLUMN HEADERS AND ENTRIES FOR THE GAO LIST SORT
(rev. June 7, 1994)

<u>Column Heading</u>	<u>Entries</u>
<u>FY 1994; FY 1995</u>	BA in millions (use "--" for a zero entry)
<u>Primary age group</u>	a (youth); b (adult); c (combination); d (elderly); e (other)
<u>Primary Special population</u>	a (poor); b (veterans); c (disabled); d (Indians); e (migrants); f (homeless); g (combination); h (other); i (prisoners); j (dislocated workers)
<u>Service deliverer</u> (The local agency that lets the grants or contracts.)	a (Federal agency) [include agency initials in column]; b (Governor); c (State employment service); d (State education agency); e (State rehab agency); f (State voc ed agency); g (State/county welfare agency); h (State health agency); i (local education agency); j (PIC/SDA); k (Indian gov't); l (BIA); M (union); n (State/local economic development agency); o (other)
<u>Primary Purpose</u>	a (education); b (job training); c (labor exchange); d (adjustment); e (income support); f (combination); g (other)
<u>Form</u>	a (grant to individual); b (grant to institution); c (loan/voucher); d (other)
<u>Comments</u>	[As necessary.] E.g., guaranteed student loans is actually five programs, not one; Sex Equity is not a program; program was never funded; time limited demo; etc. Note: We will assume the program is discretionary <u>unless</u> it is indicated to be mandatory in the comments section.

Data sorts:

1. All unfunded programs (FY 1994 column in ascending order; FY 1995 column in ascending order, so that the "--" entries appear at the top.)
2. All programs which had funding in FY 1994 but are proposed for termination in the FY 1995 budget (FY 1994 in descending order; FY 1995 in ascending order; programs will be those with BA in FY 1994 and "--" in 1995; should be the top of the FY 1995 column, after adjusting for those with "--" in both columns. Query: is there a macro that can separate the ones with "--" in both columns?)
3. Sort by Yes/No for real program.
4. Sort by age group.
5. Sort by special population.
6. Sort by common delivers.