

April 11, 2016

What's In the Proposed FY 2017 Budget For Workforce Development?

SUMMARY OF THE PROPOSED FY 2017 WORKFORCE DEVELOPMENT BUDGET

- The budget proposes \$76 million in local and federal funds for workforce development programs in the Department of Employment Services (DOES). This is nearly identical to the FY 2016 budget, after adjusting for inflation.
- The budget continues the increased funding approved last year for the Mayor Marion S. Barry Summer Youth Employment Program (MBSYEP) to serve older youth, and also continues to invest in two new subsidized job programs started last year, DC Career Connections (DC-CC) and the Learn Earn Advance Prosper (LEAP) program.
- DOES continues to spend less than what it has available for workforce development. In 2015, of \$68 million allocated to workforce development programs at DOES, only \$54 million was spent. This is unfortunate, given the tremendous need for job training among the District's most vulnerable residents.
- The budget makes some investments per the Federal Workforce Innovation and Opportunity Act (WIOA), including \$1.5 million for the Career Pathways Innovation Fund, and three new full-time employees at the office of the Deputy Mayor for Greater Economic Opportunity. However, the proposed budget does not include significant new investments to start implementing the new WIOA plan.
- Funding for some adult training programs at the Office of the State Superintendent for Education (OSSE) would increase slightly in FY 2017, but additional investments are needed to address the large number of adults who need adult education and literacy services.
- The proposed budget does not take any steps to reform the District's Unemployment Insurance (UI) program, to better serve workers who have lost employment through no fault of their own. In particular, unemployment benefits have not been adjusted for a decade and are lower than in most states. While the cost to the city to increase benefits would be minimal, the proposed budget does not include any funding to make these reforms.
- The budget includes one additional full-time employee at the Office of Wage-Hour, but more should be done to enhance public education and enforcement efforts around new worker protection laws.

Overview

The proposed fiscal year (FY) 2017 budget allocates \$76 million in local and federal funds for workforce development within the Department of Employment Services (DOES). This is nearly identical to the FY 2016 final budget, after adjusting for inflation. (See **Figure 1** and **Table 1**.)

The proposed budget would continue to make investments in three subsidized job training programs: Mayor Marion S. Barry Summer Youth Employment Program (MBSYEP), DC Career Connections (DC-CC), and the Learn Earn Advance Prosper (LEAP) program. Since two of these programs (MBSYEP and DC-CC) are for youth, total spending on youth programs would be higher than the funding for adult programs in FY 2017. (See **Figure 2**.)

The Department of Employment Services continues to underspend its available funding, despite high unemployment among residents without a college degree and great needs for employment assistance. Addressing the factors behind the underspending should be a top priority for the Bowser administration.

Subsidized Jobs Programs Will Grow Under the Proposed Budget

The Department of Employment Services (DOES)¹ is a major source of job search, training, and placement programs for unemployed or underemployed adult District residents, as well as for DC youth.

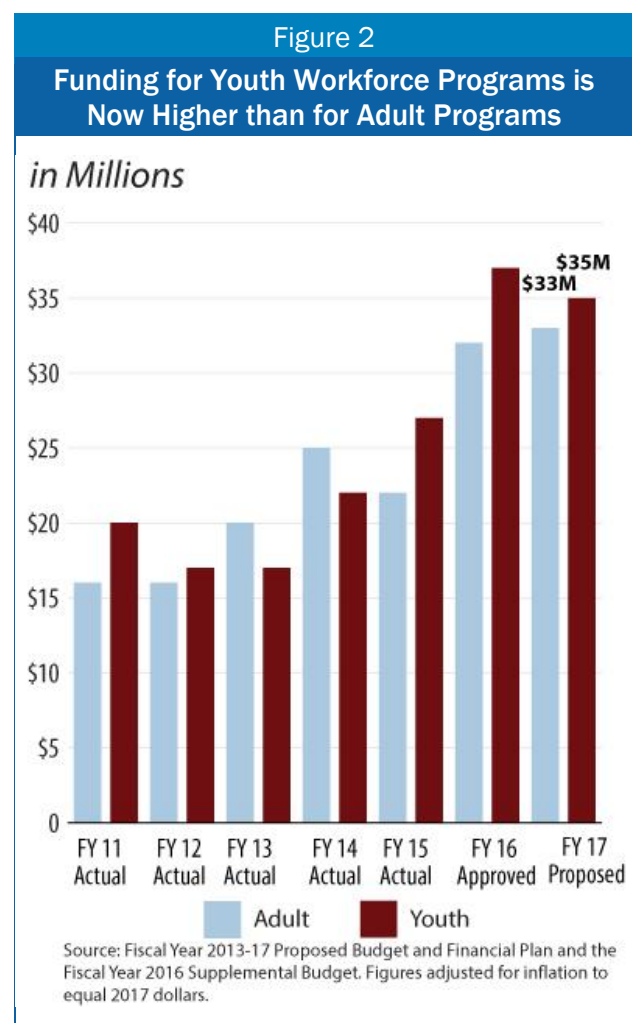
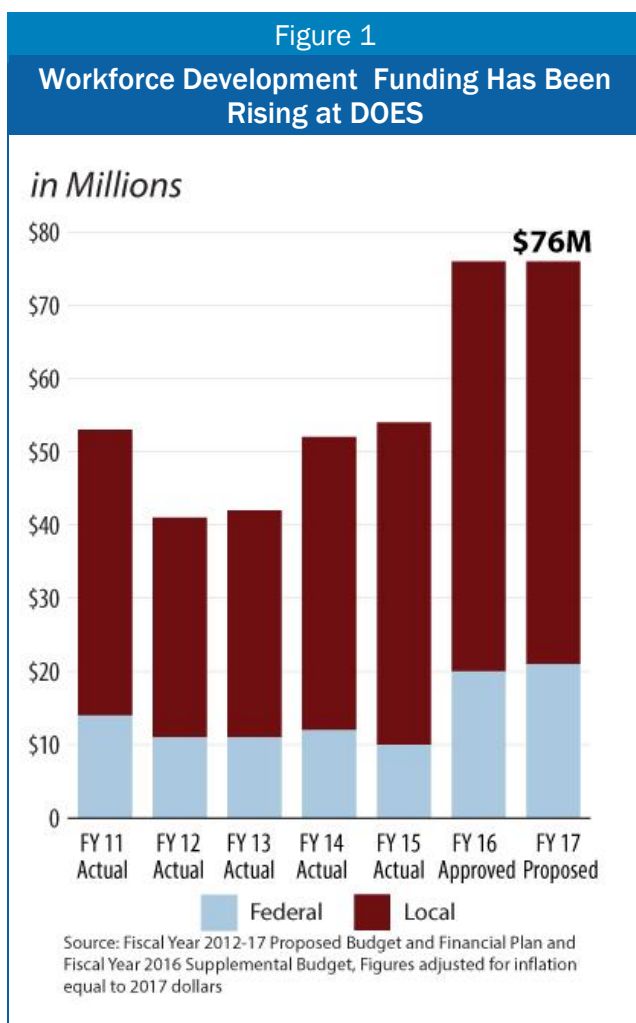
| | Actual FY 2015 | Approved FY 2016 | Proposed FY 2017 |
|--|-------------------|---------------------|---------------------|
| Total Gross Funding | \$54,200 | \$76,435 | \$76,364 |
| Adult Workforce Funding | \$22,187 | \$32,324 | \$32,555 |
| Senior Services | 603 | 578 | 584 |
| Local Adult Training | 3,996 | 8,473 | 8,109 |
| Office of Apprenticeship Info & Training | 751 | 836 | 838 |
| Transitional Employment | 9,059 | 9,851 | 9,142 |
| Veteran Affairs | 272 | 616 | 825 |
| One-Stop Operations | 7,505 | 11,970 | 13,057 |
| Youth Workforce Funding | \$26,508 | \$37,058 | \$34,915 |
| MB Summer Youth Employment Program* | 18,538 | 20,480 | 20,054 |
| Year-Round Youth Program** | 7,011 | 15,318 | 13,587 |
| Marion Barry Youth Leadership Institute | 960 | 1,260 | 1,274 |
| Other Workforce Activities | \$5,504 | \$7,054 | \$8,894 |
| Program Performance Monitoring | 1,135 | 1,390 | 1,205 |
| Labor Market Information | 852 | 1,187 | 1,013 |
| State-wide Activities*** | 701 | 901 | 2,647 |
| First Source | 1,049 | 1,157 | 1,153 |
| Employer Services | 1,767 | 2,418 | 2,876 |

Figures in thousands, adjusted for inflation to equal 2017 dollars.
 * This includes an additional \$4.8 million added as part of the FY 2016 Supplemental Budget to accommodate 1,000 22-24 year olds.
 ** For FY 2017, this includes \$4.5 million for the DC Career Connections Program.
 *** For FY 2017, this includes \$1.5 million for the Career Pathways Innovation Fund, to be allocated to the Workforce Investment Council (WIC).

¹ A number of other DC agencies support workforce development services, such as the Department of Human Services, Department on Disability Services, Department of Youth Rehabilitation Services, Office on Aging, and others. Many of these agencies do not isolate workforce development funding in their budgets, however.

The mayor's budget increases funding for the Mayor Marion S. Barry Summer Youth Employment Program (MBSYEP) to serve older youth, and continues to invest in two new subsidized job programs started last year, Career Connections and the LEAP Academy.

- Marion S. Barry Summer Youth Employment Program (MBSYEP):** MBSYEP is a locally funded program that provides District youth with summer work experiences through subsidized placements in the private and government sectors. The FY 2017 budget funds the program at the same level as last year, at \$20 million, in order to continue the expanded eligibility started last year (through age 24, from the prior age limit of 21). The program expects to serve a total of 13,000 youth in the summer of 2016, including 1,000 22-24 year olds.



- The DC Career Connections Program (DC-CC):** DC-CC is a work readiness program started in 2016, which provides youth aged 20-24 with up to nine months and 40 hours per week of work experience, skills training, and individualized coaching and support to gain employment. The program served 400 youth last year, and expects to serve the same number

this year. The proposed FY 2017 budget allocates \$4.5 million to the program (through DOES's Year-Round Youth program).

- **Learn Earn Advance Prosper (LEAP) Program:** The LEAP program was started in 2016 to as a training and subsidized employment program for jobs in city government. Participants receive on-the-job, classroom lead, life skills, and licensing training. The program is designed for 12 months of continuous training and practical application. For FY 2017, the proposed budget includes \$887,000 to accommodate 25 participants in the program (allocated to the Department of Public Works).

Underspending on Youth Employment Programs Continues to Be an Issue

DOES's workforce budget includes a substantial investment of federal money. (See **Table 2**.)

| | General Funds* | Federal Funds | Total Funds |
|--|-----------------|-----------------|-----------------|
| Total Gross Funding | \$55,135 | \$21,227 | \$76,362 |
| Adult Workforce Funding | \$19,470 | \$13,084 | \$32,554 |
| Senior Services | 81 | 502 | 584 |
| Local Adult Training | 8,109 | 0 | 8,109 |
| Office of Apprenticeship Info & Training | 838 | 0 | 838 |
| Transitional Employment | 9,142 | 0 | 9,142 |
| Veteran Affairs | 0 | 825 | 825 |
| One-Stop Operations | 1,300 | 11,757 | 13,057 |
| Youth Workforce Funding | \$30,432 | \$4,483 | \$34,915 |
| MB Summer Youth Employment Program | 20,054 | 0 | 20,054 |
| Year-Round Youth Program | 9,104 | 4,483 | 13,587 |
| Marion Barry Youth Leadership Institute | 1,274 | 0 | 1,274 |
| Other Workforce Activities | \$5,233 | \$3,660 | \$8,893 |
| Program Performance Monitoring | 923 | 282 | 1,205 |
| Labor Market Information | 0 | 1,013 | 1,013 |
| State-wide Activities | 1,750 | 897 | 2,647 |
| First Source | 1,153 | 0 | 1,153 |
| Employer Services | 1,408 | 1,468 | 2,876 |

Figures in thousands, adjusted for inflation to equal 2017 dollars. * General funds include local funds and special purpose revenue funds.

Unfortunately, DOES has spent less than its available funding in recent years, raising concerns about its ability to meet the needs of unemployed and underemployed residents. In 2015, the department spent \$54 million on employment services, compared with \$68 million in available funding. (See **Figure 3**.)

DOES has recently made efforts to spend down more of its federal money on youth programs. In a recent letter to a DC Councilmember, the agency reports that as of February 2016, the agency has spent 34 percent of its federal resources, and is on track to expend their federal funds by the end of the year.²

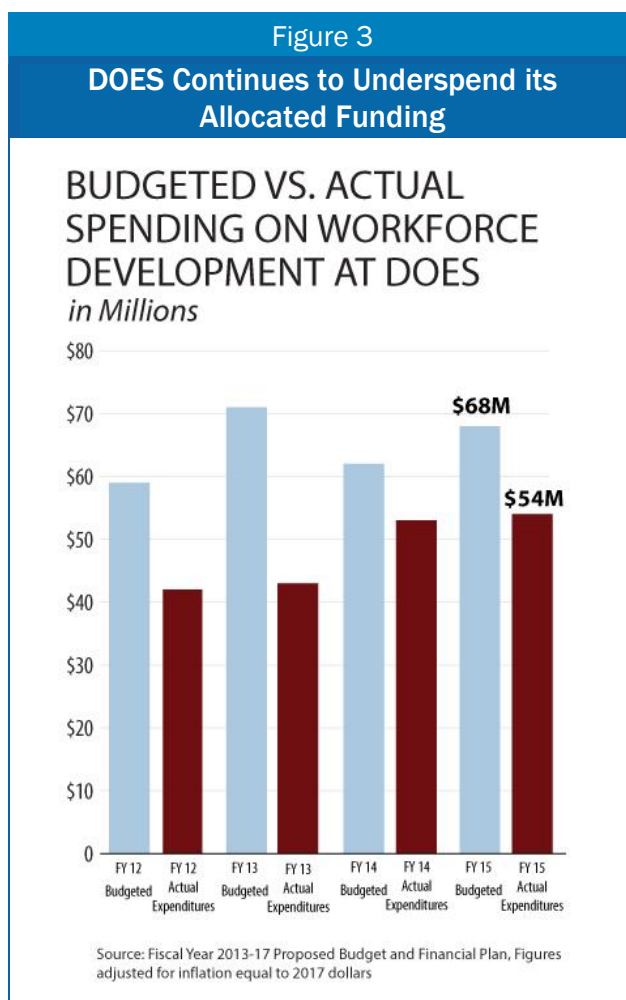
The challenge that the District has been facing regarding spending its federal money may lie with the fact that the District’s population contains large concentrations of youth below an eighth grade reading level, but many federal programs are aimed at youth at an eighth grade reading level or above.

Locally funded programming could be utilized to develop “feeder” programs, such as basic skills and work readiness training, to bring those at lower literacy levels up to a level in which they will qualify for federal programs. Currently, however, the various local and federal programs are all targeting similar pools of youth (i.e., those with an eighth grade reading level or higher).

The District should continue to make concerted efforts to fully utilize federal funding by better aligning local and federal programs. This will mean refocusing local programs to serve District youth with the highest barriers to employment and lowest educational attainment levels, so that they are adequately prepared to enter federally funded programs.

Budget Includes Some Steps toward WIOA Compliance, But Not Enough to Start Implementing Important Next Steps

As the proposed FY 2017 budget was being developed, the city was also writing its State Plan to comply with the Workforce Innovation and Opportunity Act (WIOA), and some DC government offices were reorganized to better oversee the city’s workforce system. For example, early last year the mayor created a new office – the Deputy Mayor for Greater Economic Opportunity (DMGEO) – to facilitate job creation and workforce development in underserved communities in the District. In addition, the District’s Workforce Investment Council (WIC), which oversees workforce development policy



² March 30, 2016. “Grosso exchange of letters with DOES about WIC’s oversight of youth programs.” <http://www.davidgrosso.org/grosso-analysis/2016/3/30/grosso-exchange-of-letters-with-does-about-wics-oversight-of-youth-programs>

including federal job training funds administered by DOES, was moved from the office of the Deputy Mayor for Planning and Economic Development to the DMGEO.

For 2017, the proposed budget includes some modest increases to accommodate WIOA implementation, including:

- **The Career Pathways Innovation Fund.** In FY 2016, \$500,000 was allocated to establish a Career Pathways Innovation Fund, in order to begin testing and expanding new models to blend adult literacy and occupational training, as mandated by WIOA. The FY 2017 budget reflects the plan adopted in 2016 to fund an additional \$1.5 million to the Innovation Fund to design, pilot, and implement effective programs that create adult career pathways and improve the performance of adult education and training programs.
- **DMGEO Office.** The FY 2017 budget adds three new full-time staff to the office of the Deputy Mayor for Greater Economic Opportunity (DMGEO), to focus on workforce development policy and provide administrative support. Funding for the office would increase by \$330,000.

| Table 3 | | |
|--|------------------|---------------|
| Office of Deputy Mayor for Greater Economic Opportunity is Expanding | | |
| | Approved FY 2016 | Proposed 2017 |
| DMGEO Budget* | \$713,125 | \$1,043,000 |
| Full-Time Equivalent Employees | 5.0 | 8.0 |
| *Figures adjusted for inflation to equal 2017 dollars. | | |

These increases may signal initial efforts to strengthen the planning needed to develop a more comprehensive and effective workforce development system, as envisioned by the city’s WIOA State Plan.

However, many new initiatives discussed in the State Plan will require additional resources are not funded in the FY 2017 budget. For example, the State Plan calls for increasing the number of “earn while you learn” job training programs, more robust engagement with the employer community, and other activities. Unfortunately, the proposed budget does not seem to reflect increases to begin implementing these new activities. Agency officials have discussed finding cost savings by aligning existing resources and finding other efficiencies, but it is unclear as yet how much savings this will provide, and whether it will be sufficient to meet the goals of the State Plan.

In addition, the budget provides no funding or staffing increases for the WIC. This is unfortunate, given that additional employees could help the WIC become a stronger body with the ability to make more robust recommendations. For example, the agency has noted the need for at least one data analyst to collect and analyze performance data, in order to inform the WIC’s recommendations. Such a position could be valuable in the effort to improve the city’s workforce system.

Budget Includes Some Additional Funding for OSSE’s Adult Education Programs

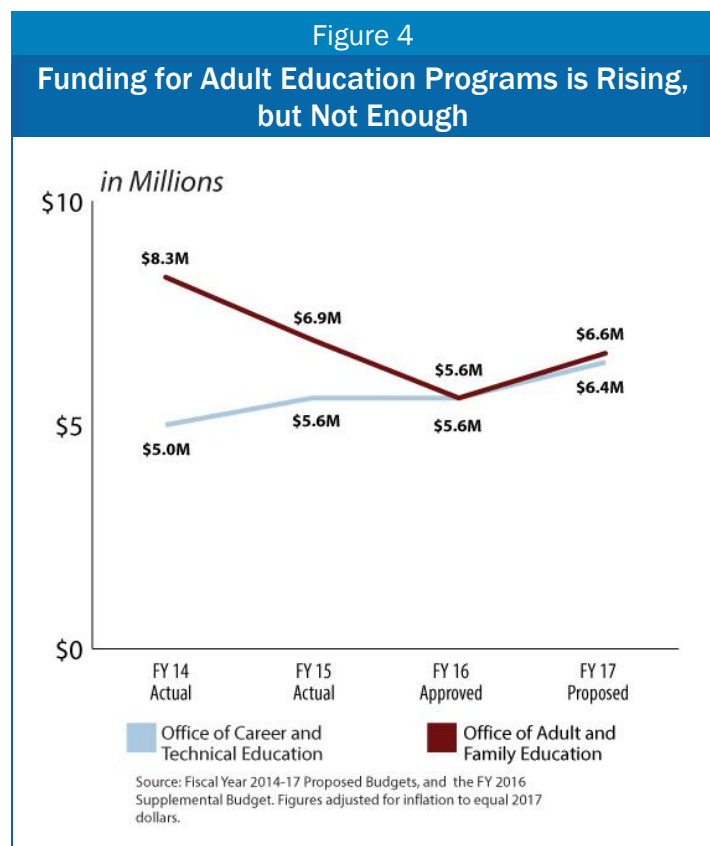
WIOA encourages states to better align adult education programs with job training programs, such as incorporating occupational elements into adult literacy programs and creating connections to transfer residents into training after completing adult education classes. In the District, adult education and training programs are overseen by the Office of the State Superintendent of Education (OSSE)’s Postsecondary and Career Education (PCE) office.

The proposed FY 2017 budget also includes modest increases to two major PCE programs: the Adult and Family Education (AFE) program, which grants money to adult education providers and facilitates professional development, technical assistance, and monitoring; and the Career and Technical Education (CTE) program, which provides education and career preparation to prepare learners for success in postsecondary education and high-demand careers. However, despite a modest increase this year, funding for both of these programs would still be below earlier levels. (See **Figure 4**.)³ Funding is almost certain to be inadequate to meet the city’s needs, especially in light of new requirements and systems to comply with WIOA.

For example, OSSE’s AFE programs served about 3,000 participants in 2015, and DC’s Public Schools and Adult Public Charter Schools served an additional 6,000 residents.⁴ Meanwhile, there are currently some 60,000 District residents who lack a high school credential.⁵ The District’s WIOA State Plan notes that “existing capacity [at OSSE’s adult education programs] is insufficient to meet the District’s needs.”

Also, per WIOA, adult education costs per participant are likely to increase, as AFE programs will be required to integrate education with job training. This means that without additional funding, the number of residents that can be served will decline.

Thus, additional funding should be allocated to OSSE’s PCE office in order to accommodate these growing needs and to begin implementing the fundamental reforms mandated by WIOA.



³ The proposed FY 2017 budget for OSSE does not include an annual MOU to transfer \$1.5 million from DOES to OSSE’s AFE office, which should occur sometime during the fiscal year.

⁴ District of Columbia Workforce Innovation and Opportunity Act (WIOA) Draft Unified State Plan, 2016-2020.

⁵ U.S. Census Bureau. American Community Survey 3-Year Estimates, 2010-2012, for the District of Columbia.

It should be noted that the District is developing a new data system, the Data Vault, that will be part of an intake, assessment, and referral system that will be used by all of the city's job training and adult education programs. If fully implemented as described in the WIOA State Plan, the Data Vault can play a critical role to ensure an efficient process to assess and refer candidates to the programs that best fit their needs. The proposed FY 2017 budget includes a substantial data investment, including \$11.9 million in capital funding over five years to expand OSSE's data infrastructure, as well as \$1.1 million for 10 new employees at OSSE to manage these systems. However, it is not clear yet how much of this data investment will be allocated specifically to the Data Vault.

Budget Does Not Include Increases to Unemployment Insurance Benefits

Several reforms to the District's Unemployment Insurance (UI) benefits would better serve workers who have lost employment through no fault of their own. Legislation was introduced in 2015 to make a number of important changes, but they are not reflected in the proposed FY 2017 budget. These changes include:

1. **Raising the maximum weekly UI benefit amount to \$430.** The current maximum weekly benefit is just \$359, below Maryland (\$430), Virginia (\$378), and 38 other states.
2. **Incentivizing workers to retain part-time employment.** This would allow workers who have part-time employment to receive a modestly higher amount of partial UI benefits.
3. **Ensuring that the most vulnerable workers who have an uneven or low earnings history can get UI benefits up to the maximum length of 26 weeks.**
4. **Adjusting the maximum weekly benefit each year for inflation to ensure that workers' purchasing power would keep up with inflation.** The maximum weekly benefit was last raised in 2005. Since then, the benefit has lost roughly 20 percent of its purchasing power.

It is likely that these increases could be implemented with only modest impacts on the DC budget. Unemployment benefits generally are paid through the District's Unemployment Insurance Trust Fund, which is supported by a modest tax on employers. The Trust Fund currently has a substantial balance and has run surpluses in recent years. The higher benefit costs could likely be supported through existing Trust Fund resources. The only cost to the city, then, would be the added cost to the unemployment program for District government employees. This cost is likely to be minimal, as the entire program has a very small price to begin with; the city spends about \$5 to \$6 million total per year to provide this benefit.

Unfortunately, the proposed budget does not include any funding or language to make these necessary UI reforms.

Budget Does Not Include Enough New Funds to Enforce Worker Protections

The District enacted a number of laws in recent years to improve wages and benefits of people who work in the District, including increases to the minimum wage, paid sick and safe leave, new

penalties for “wage theft” when employers fail to pay workers fully, and protecting workers from discrimination.

The proposed FY 2017 budget allocates funding for one additional employee at the Office of Wage-Hour (OWH), but this is not nearly enough to ensure adequate enforcement so that all workers may truly benefit from these laws. For example, information provided by DOES for the FY 2016 Performance Oversight hearing project a large increase in claims for FY 2016 over the previous year – up to 23 percent.⁶ Increasing OWH staff by one full-time employee – from 16 to 17 – is unlikely to be enough to accommodate such an increase.

⁶ DOES FY 2015-2016 Performance Oversight Hearing Questions.
http://dccouncil.us/files/user_uploads/budget_responses/DOESFY1516PRQAFinal3.pdf