

June 22, 2015

WHAT'S IN THE FY 2016 BUDGET FOR WORKFORCE DEVELOPMENT?

SUMMARY OF THE FINAL FY 2016 WORKFORCE DEVELOPMENT BUDGET

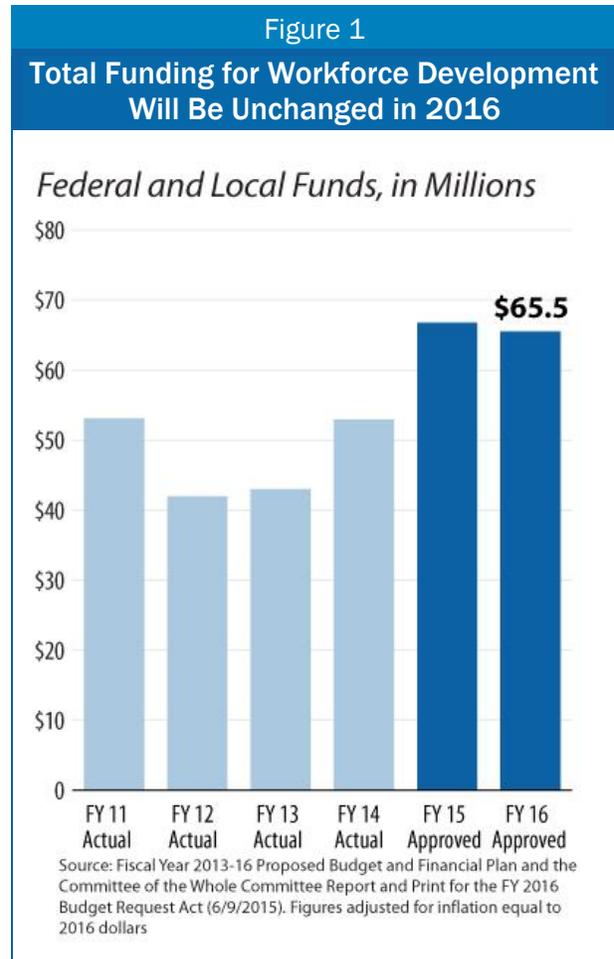
- The budget provides \$65.5 million in local and federal funds for workforce development programs in the Department of Employment Services. This is a slight decrease from the FY 15 budget, after adjusting for inflation.
- Funding for programs for youth will grow by about 14 percent, largely due to an increase in the Summer Youth Employment Program.
- The budget includes \$500,000 to establish a Career Pathways Innovation Fund, to begin testing and expanding new models to blend adult literacy and occupational training. The budget also adds \$1.5 million for FY 2017 and subsequent years to design, pilot, and implement effective programs that create adult career pathways and improve the performance of adult education and training programs.
- Locally funded adult training will be cut about one-third, from \$12 million to \$8 million. This program has suffered from administrative and implementation problems, and has not been able to spend all available funds in recent years. The \$8 million for FY 2016 roughly matches what was spent in 2014 on these services.
- The Department of Employment Services continues to spend less than what it has available for workforce development. In 2014, the agency spent \$53 million of \$63 million allocated, with the largest shortfalls in spending at its American Job Centers – the one-stop centers for residents looking for work – and the year-round youth employment program for youth. The inability to spend available funds raises concerns at a time when improving the employability of DC residents is especially important.
- The budget does not include new funds to enhance public education efforts around new worker benefits, such as the expansion of earned sick and safe leave benefits, or to enhance compliance related to recent “ban the box” and wage theft legislation.

The fiscal year (FY) 2016 budget allocates \$65.5 million in local and federal funds – for workforce development within the Department of Employment Services. This is slightly less than the total FY 2015 budget. The budget expands youth programs but cuts programs for adults. It also funds a new Career Pathways Innovation fund to begin testing and expanding new models to blend adult literacy and occupational training. Funding for this program will increase in FY 2017 and beyond.

This review also reveals that the Department of Employment Services has underspent its available funding in the last three years, 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.

The Department of Employment Services (DOES) is a major source of job search, training, and placement programs for unemployed or underemployed adult District residents,¹ as well as for DC youth. DOES has three broad programmatic responsibilities: unemployment insurance, labor standards, and workforce development. This toolkit focuses on the agency's workforce development programs, which include the following activities:

- **The Transitional Employment Program (TEP):** for adults with employment barriers, including ex-offenders. This program provides short-term subsidized jobs designed to lead to unsubsidized employment. TEP is supported entirely with local funds.
- **Adult Job Training:** which supports training for high-demand jobs. The funds are allocated through a competitive bid process to private training organizations.
- **One-Stop Career Centers:** also known as “American Job Centers,” are intended to provide assistance to both jobseekers and employers. Residents can get a variety of employment assistance, from job referrals to resume assistance to job training vouchers. Employers can post job openings and get help from one-stop staff to identify qualified workers. Funding for DC’s one-stop centers predominantly comes from federal dollars.
- **Youth Programs:** The District operates a Summer Youth Employment Program (SYEP) for District residents between the ages of 14 and 21. The program was expanded to age 24 for 2015, but a proposal to continue this in 2016 was not adopted in the budget. The program provides subsidized employment during the summer months. SYEP is supported with local funds. The FY 2016 budget also allocates \$200,000 in funding to the DC Auditor to evaluate continuation of the expansion to 22-24 year olds in future years. The District also works through a number of community-based providers to provide employment services to youth throughout the year, targeted to both those who are in school and those are out of school.



Youth Employment Will Grow Under Mayor's Budget

¹ A number of other DC agencies support workforce development services, such as the Department of Human Services TANF programs. Those agencies do not isolate workforce development funding in their budgets, however.

The budget enhances all of the Department of Employment Services programs focused on youth. Total 2016 funding for youth employment programs is \$27 million, up from \$24 million in 2015. (Unless noted, all figures here are adjusted for inflation equal to FY 2016 dollars.)

- **Summer Youth Employment:**

The FY 2016 budget expands the Summer Youth Employment Program from \$12 million to \$15 million. In 2015 only, program eligibility was expanded up to age 24, to serve an estimated 1,000 22-24 year olds, in addition to 14,000 youth age 14-21.

The FY 2016 budget also allocates \$200,000 to evaluate the one-year SYEP expansion to 22-24 year olds, for possible extension into future years.

- **Year-Round Youth**

Employment: The FY 2016 budget for the youth employment program that operates year-round is \$10.6 million, up modestly from \$10.1 million in FY 2015. It is worth noting that this program has spent far less than its available funding in recent years.

Expenditures totaled roughly \$4 million in both FY 2012 and FY 2013 and \$7 million in FY 2014, which were far below budgeted levels.

- **Marion Barry Youth Leadership:** Funding for the Youth Leadership program, which helps 250 students during the year and 500 during the summer with leadership and self-development, will be funded at \$1.2 million, up from \$1 million in FY 2015.

	Actual FY 2014	Approved FY 2015	Proposed 2016
Total Gross Funding	\$52,945	\$66,788	\$65,493
Adult Workforce Funding	\$25,477	\$34,166	\$31,138
Senior Services	\$586	\$1,153	\$566
Local Adult Training	\$7,056	\$12,205	\$8,293
Office of Apprenticeship Info & Training	\$770	\$835	\$818
Transitional Employment	\$8,998	\$9,322	\$9,142
Veteran's Affairs	\$97	\$678	\$603
One-Stop Operations	\$7,971	\$9,973	\$11,716
Youth Workforce Funding	\$22,572	\$23,544	\$26,951
Summer Youth Employment	\$14,527	\$12,364	\$15,185
Year-Round Employment	\$7,130	\$10,145	\$10,633
Mayor's Youth Leadership	\$915	\$1,034	\$1,233
Other Workforce Activities	\$4,896	\$9,078	\$7,404
Career Pathways Innovation Fund**	\$0	\$0	\$500
Program Performance Monitoring	\$1,224	\$1,447	\$1,361
Labor Market Information	\$850	\$1,525	\$1,162
Statewide Activities	\$340	\$1,184	\$882
First Source	\$762	\$1,156	\$1,132
Employer Services	\$1,721	\$3,766	\$2,367

* Figures in thousands, adjusted for inflation to equal 2016 dollars
 ** This money is allocated to the Workforce Investment Council (WIC), which oversees workforce development policy, including federal job training funds administered by DOES.

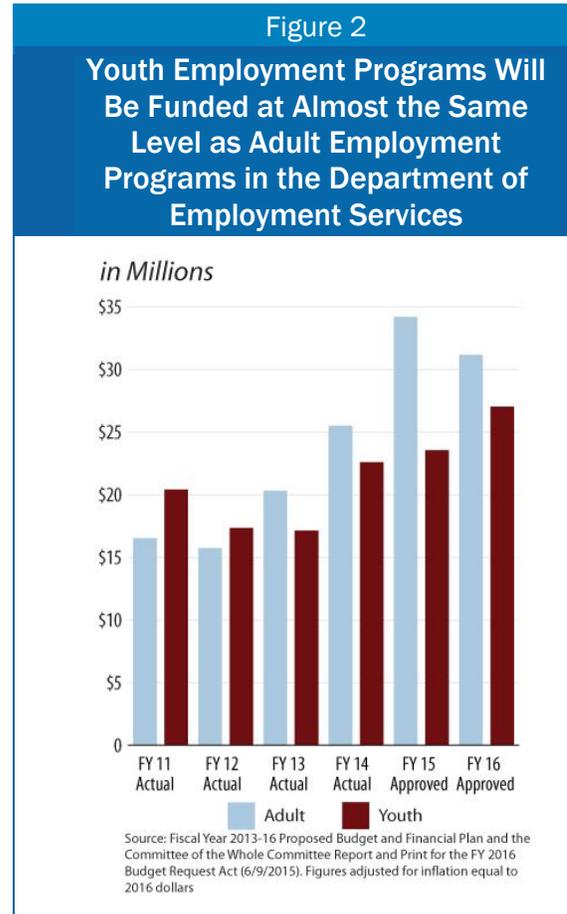
Adult Job Training Programs Will Be Cut in 2016

The budget reduces funding for workforce development services targeted on adults by 10 percent, to \$31 million in FY 2016, down from \$34 million in FY 2015.² Even with this reduction, however, the budget for adult employment in the FY 2016 budget is higher than the \$25 million spent in FY 2014. (See **Table 1**.)

² For this analysis, DCFPI includes the following workforce development services as services for adults: Local Adult Training, Transitional Employment, One-Stop, Senior Employment, Apprenticeships, and Veteran's Affairs.

The FY 2016 budget includes changes in funding for a number of programs.

- **Adult Job Training:** Funds for the “Local Adult Training” program will be cut by one-third, from \$12 million in FY 2015 to \$8 million in FY 2016. This activity is authorized to fund a variety of services, including training vouchers that jobseekers can use with private training providers. In recent years, this program has faced administrative and implementation problems and has not fully spent its budgeted funds. This means that the cut in allocated funding may not result in a large reduction in services.
- **Transitional Employment Program:** The FY 2015 budget provides \$9.1 million for the Transitional Employment Program, also known as Project Empowerment, which uses local funds to provide subsidized job placements for hard-to-employ residents, primarily returning citizens. The 2016 budget is roughly the same as the FY 2015 budget.
- **American Job Centers (“One-Stop Centers):** The FY 2016 budget includes \$12 million to operate the city’s employment centers. This is up from \$10 million in FY 2015. The one-stop centers are funded largely with federal funds, but the FY 2016 budget also includes \$2 million in local funds.
- **Senior Employment Services:** The budget includes \$600,000 for senior employment services, down from \$1.1 million in FY 2015. It is not clear what impact this reduction will have.



With the reduction in funding for employment programs targeted on adults and the increases in youth employment programs, the funding gap between these two categories will be narrowed in 2016 – \$27 million for youth and \$31 million for adults. In FY 2015, by contrast, funding for adult employment programs was far higher than for youth programs. (See **Figure 2.**)

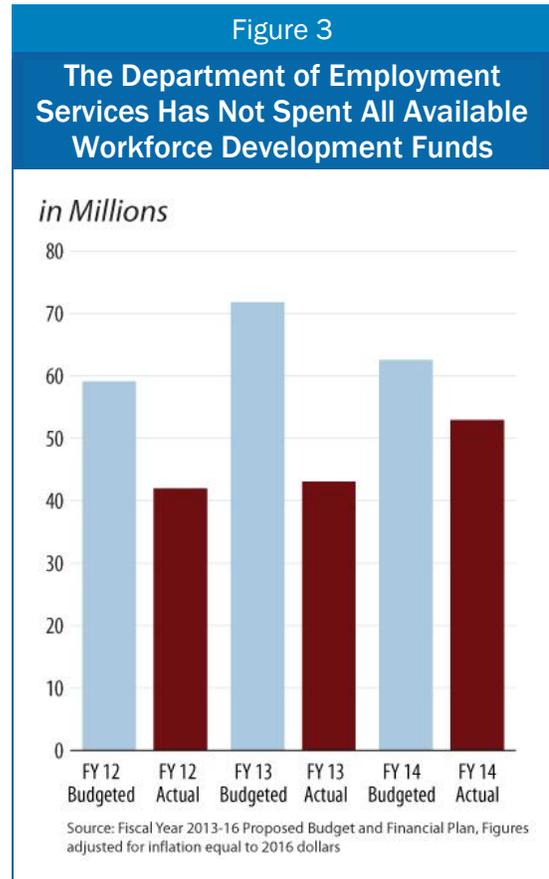
Underspending on Employment Programs Continues to be an Issue

The Department of Employment Services has spent less than its available funding for the past three years, raising concerns about its ability to meet the needs of unemployed and underemployed residents. In 2014, for example, the department spent \$52 million on employment services, compared with \$62 million in available funding. This actually reflects improvement from the prior two years, when underspending was even greater. (See **Figure 3.**)

The underspending has been concentrated in a few areas.

- **Adult Job Training:** The program, first authorized in 2013, underspent its appropriation in both 2013 and 2014. As noted above, funding for the program is cut in the proposed FY 2016 budget, in apparent recognition of its inability to spend its allocated funds in prior years.
- **American Job Centers:** These job centers are supported largely with federal funds. It is not clear why spending has been below allocated levels.
- **Year-Round Youth Program:** These services are also supported largely with federal funds. The under-spending in part reflects challenges enrolling a sufficient number of participants. In FY 2015, out-of-school providers were able to fill 108 of 60 funded slots, while providers serving youth in school filled 124 of 240 slots.³ Providers cite low literacy levels of youth as the main barrier to enrollment, according to the DC Alliance of Youth Advocates.

Addressing the under-spending should be an important priority for the Bowser administration. Changes in federal job training law – the Workforce Innovation and Opportunity Act – give the District more flexibility to meet the needs of residents with severe barriers to work. The District should make full advantage of these changes to fully utilize federal funding. In addition, Mayor Bowser created a new deputy mayor position to oversee the Department of Employment Services – the Deputy Mayor for Greater Economic Opportunity – which should focus on these issues.



Budget Does Not Include New Funds to Enforce Minimum Wage and Other Changes

The District enacted a number of laws in recent years to improve wages or benefits of people who work in the District. However, the changes were adopted without providing new funds to ensure that they are enforced, and the FY 2016 budget does not provide any new enforcement funds. This will make it hard to ensure that all workers truly benefit.

³ This information was provided by DOES to the DC Council in response to questions at FY 2015 performance oversight hearing.

The new worker-directed legislation includes:

- **Minimum Wage:** Legislation adopted in 2013 raised the minimum wage over stages to \$11.50 in 2016, with the first step implemented in July 2014. The minimum wage will be adjusted for inflation annually after 2016.
- **Paid Sick and Safe Leave:** The requirement that employers provided paid leave to deal with illness or domestic violence was expanded in 2013, primarily by extending this benefit to tipped workers and by enabling workers to accrue benefits starting with their first day of work.
- **Wage Theft:** Legislation adopted in 2014 increases penalties for employers who fail to pay workers fully what they are obligated to pay.
- **Protecting Workers from Discrimination:** Recently adopted legislation prevents employers from asking about an employee's criminal record until they have made a job offer, and prevents employers from rescinding the job offer unless there is a clear rationale for doing so. In addition, the District has adopted protections against discrimination for workers who are unemployed or pregnant.

Because they reflect new wage and benefit rules and new protections, the laws need to be communicated to employers and workers. In addition, the District is likely to need added staff capacity to respond to worker concerns about employers' failure to follow the new laws. However, the budget includes no increase in staffing or funding for the division within the Department of Employment Services that educates employers and enforces wage laws, and it includes no new funding for administrative law judges to hear cases of employment law violations. The lack of additional funding may make it hard to conduct comprehensive education on the new worker protections and to ensure that businesses comply.