

# **EXPANDING STATE EDUCATION AND TRAINING BY PARTNERING WITH THE UNEMPLOYMENT INSURANCE PROGRAM**

**NATIONAL EMPLOYMENT LAW PROJECT**

**By David Jason Fischer  
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## **Acknowledgments**

This report was authored by David Jason Fischer, a New York City-based consultant with expertise in workforce development subjects.

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## I. INTRODUCTION

In the early years of the 21st century, everyone from corporate leaders to working single parents has come to understand that training and education are vital to America's competitive standing and the economic prospects of individuals and communities alike. Public opinion polls show consistently strong support for more job training,<sup>1</sup> and the major presidential candidates of both parties have embraced the notion of more robust federal support to help workers earn new skills and advance in their careers.

But even as appreciation and public support for the importance of helping workers and businesses has grown, the financial resources to support education and training have not. Between 2002 and 2007, federal funding under the Workforce Investment Act (WIA)—the country's guiding legislation for workforce development policy—and other training and employment programs funded through the U.S. Department of Labor, decreased by approximately 20 percent.<sup>2</sup> Funding for related programs administered through other federal agencies, including the U.S. Department of Education, similarly has failed to keep pace with the needs of an American workforce that finds itself in increasingly fierce global competition for jobs and compensation. The current economic downturn adds to the urgency to help workers get back on their feet when they lack the skills to compete in today's economy.

However, money is only part of the training shortage problem. Even were WIA funded at the levels advocates have called for, a sizable gap would remain between the country's need for workforce services and the resources available. In part this is a function of the serious limitations of WIA. For example, WIA funds generally cannot be used to support incumbent workers' career advancement, and the law mandates expenditures of time and money on "one-stop centers" and other administrative functions. Finally, reauthorization of the WIA law, which expired in 2003 and has remained in effect through short-term extensions, is not likely to be a top priority for Congress unless the program is fundamentally reformed. Fortunately, states have another policy tool at their disposal to address the growing demand for quality education and training that meets the unique needs of their economies. Half of the states have also funded new education and training programs modeled on the system of payroll contributions that has successfully supported the unemployment insurance (UI) program.<sup>3</sup> While the programs are supported through a common framework, the revenue generated by state UI payroll contributions and the assessment for education and training programs are kept entirely separate in order to prevent UI revenues from being diverted to support non-UI services (as required by federal law.)

In many cases, when the state training and education funds were created, the employers' UI tax rates were reduced to compensate for the costs of the new training program and keep the total state payroll contributions at the same level. This is another link with the UI program, often referred to for shorthand purposes as an "offset" against UI payroll taxes. As highlighted in this report, this program link and others between the state training and education funds and the UI program vary from state to state.

These special education and training programs funded by payroll contributions offer significant political and programmatic advantages compared to other resources for job training and employment services, including:

- Direct assistance to incumbent and low-skilled workers, which produce a significant return on the state's investment to build a competitive 21st century workforce;
- Operational flexibility not available under WIA, including the capacity to adjust priorities and reallocate resources as circumstances change; and
- Political support from both unions and the business community that benefit along with individual workers from the training services they provide.

A number of state education and training funds, including Minnesota's Job Skills Partnership Program, enjoy the flexibility to shift priorities from re-employing dislocated workers to raising the skills of incumbents and back again, as economic conditions dictate.

In most cases, the political viability of these programs is protected by the extensive governance role taken by the private sector and labor unions, either directly through representation on the bodies that administer these programs or indirectly through their influence as stakeholders. As described in this report, business and labor leaders often set priorities for these programs—ensuring both a constituency for their preservation and projects that conclude in job creation and wage gains for incumbent workers.

Finally, these state education and training programs provide a return on investment that captures the attention of even the most bottom-line focused business executive. For example, California's Education and Training Panel (ETP) recoups five dollars for every dollar invested in training.<sup>4</sup> Over time, this investment in the skills and employability of today's workers has an additional benefit: significantly less demand on UI funds themselves as more workers find employment in more stable good-paying jobs.

State education and training funds generated by payroll contributions have emerged since the early 1980s, when California set the standard with ETP—still the largest and one of the most successful models. However, their appeal continues to this day. In fact, Maine became the most recent state to establish a program in 2007 by creating the Competitive Skills Scholarship Program as part of a larger UI overhaul. The state programs vary widely in terms of scope, focus, and effectiveness.

In this report, we catalog the full range of these programs in the Appendix, while examining the most innovative and effective among them in more detail and analyzing the context and conditions that advocates and policy makers should consider in looking to create or revise such a program.

For those states that do not yet have an active or effective education and training fund program, it is important to note a few caveats up front

- First, these efforts tend to work best when a state's unemployment insurance fund is stable and solvent: there can be no tradeoff between solvency to cover "the basics" of UI and resources to deliver the added value of

job training and employment services. Thus, states should place a premium on responsible financing of their UI programs.<sup>5</sup>

- Second, it seems nearly impossible to develop an effective new education and training fund in states that do not have strong institutional counterweights to the business community—especially an organized labor presence.
- Finally, efforts to develop programs along the lines described in this report are likely to fail in the absence of a sustained commitment to quality, oversight, and a focus on measurable results that serve both workers and employers.

But with these considerations in mind, it is nonetheless clear that this area of workforce programming offers tremendous potential to support states' workforce goals—and that as yet, we have barely scratched the surface. The numbers involved are, of necessity, modest by UI standards. New Jersey, for instance, raised just under \$125 million for its initiatives in Fiscal Year 2007; in recent years, the state's UI fund balance has been above \$3 billion.<sup>6</sup> But that same \$125 million was more than twice New Jersey's total WIA allocation—thus far exceeding the federal commitment to workforce programming.<sup>7</sup>

As Professor Harry Holzer recently testified to Congress, "One of the great ironies of workforce policy in the past few decades has been the extent to which federal investments in training have consistently and dramatically declined, even while the labor market places an ever-higher premium on skills."<sup>8</sup> Since federal disinvestment in workforce development really began to take hold in the mid-1980s, states have moved to fill the vacuum. It is our hope that advocates and policy makers in states

that have yet to implement workforce programs funded through special payroll contributions will find useful lessons within this report, and that those in states that do have programs but are unsatisfied with their performance can use the information here to push for continuous improvements.

## II. POSSIBILITIES AND PERILS OF EDUCATION & TRAINING FUNDS GENERATED BY PAYROLL CONTRIBUTIONS

This report highlights four of the most innovative and promising state-level workforce programs funded through payroll assessments. But they are exceptional, not typical. A significant number of states still do not have such programs, and some that do are effectively unfunded and inoperative or used as little more than slush funds for economic development.

The states that have turned to these programs have done so recognizing that federal workforce programming—primarily the Workforce Investment Act, but also Temporary Assistance to Needy Families, the Higher Education Act, Trade Adjustment Assistance, and others—is insufficient to meet human capital needs in an ever-more competitive economic context. WIA is especially limited. When it works well, WIA provides jobseekers a reasonably effective short-term connection to the labor market and an infrastructure through which deeper and more comprehensive services can be delivered—which is the case in Maine and New Jersey, as we shall see. Other programs tend to be too narrowly targeted (public assistance recipients,

those currently in college, and so forth) to serve a sizable chunk of the universe of potential service seekers.

A second reason states rely upon education and training funds relates back to the tangible advantages of the unemployment insurance system. As skill demands rise and businesses require workers with more education and specialized training to remain profitable, an individual's employment status is increasingly dependent upon having those credentials to offer employers. The state education and training funds get at this labor-market truth directly: the implied promise is that payroll contributions expended on the new workforce funds to re-employ a dislocated worker today (or raise the skills of an incumbent worker who might be at risk of becoming obsolete as a result of technology change) save employers paying into UI system from having to support that individual tomorrow. Businesses know first-hand the value of training for the bottom line.

Even when states do embrace these programs, however, difficulties persist. Many state programs do not go into effect until the state UI trust fund exceeds a certain level. In good economic times, this mechanism has the positive consequence of allowing states to focus on serving workers who are most at need within a generally strong economy. But it also means that when times get tougher and fund balances decrease, entire programs might dry up just at the moment when they are needed most.

Another concern is the tendency of the business community to demand a reduction of UI payroll contributions when new assessments are created to fund education and training programs. Similarly, new payroll-funded education and training programs pose the risk of also drawing upon

a state's general fund instead. A result of these political tensions, in some states it has become more difficult for programs and individuals to access training through state general funds.

The more directly business groups can influence how funds are spent, the less likely political resistance becomes—but the danger then is that these funds will be used to replace training dollars employers could afford to spend themselves. Strict oversight and accountability are key in guarding against these potential perils, as is a well-informed political leadership that grasps the purpose of the programs and their value as a complement to the state's UI system.

A final caution relates to coordination with state programming funded through WIA and other resources. In some states, the same or overlapping administrators run both sets of programs and coordination is built in. Others, however, run fairly serious risks of redundant initiatives owing to lack of communication. WIA provides the general framework for workforce services within a state, including demanding infrastructure and administrative requirements. But in the context of limited budgets at every level—and particularly considering the current economic contraction—it is more important than ever for states to ensure that their instruments of workforce development are performing in harmony.

### III. INNOVATIVE STATE PROGRAM PROFILES

As the following summarizes of innovative state programs hopefully make clear, there is no one way to create new education and training program generated by payroll contributions that effectively serve incumbent workers, jobseekers, and employers. Thus, the profiles below illustrate that this model provides the flexibility to accommodate state needs and priorities.

The four programs we profile vary in scope, size, level of political contentiousness, degree of dependence upon federally-funded workforce systems, and means of administration and oversight. They happen to be the oldest and largest program of this type (California), the only one to draw funding from employers and workers alike (New Jersey), the most comprehensive and flexible in terms of programming (Minnesota), and the newest on the books (Maine).

What they do have in common, however, is reliable funding, buy-in from the business community, strong champions in the advocacy and labor communities within their states, and a dual focus on the needs of both workers and employers. These are the indispensable characteristics for any successful program of this nature.

**Table 1: Federal WIA Allocations Compared with Revenue Generated by the State Education & Training Funds (2007)**

State	State Education & Training Fund Revenue, FY07 (In millions)	WIA Allocation, FY07 <sup>9</sup> (in millions)
California	\$67.3	\$378.0
New Jersey	\$125.4	\$66.0
Minnesota	\$43.9 <sup>10</sup>	\$27.4
Maine	\$1.3 (FY07)/\$2.9 (FY08) <sup>11</sup>	\$10.0

**Table 2: State Programs At-A-Glance**

State	Who Pays?	Who is Served?	Who Governs?	Key Services?
California	UI-covered employers	Employers, incumbent workers, and jobseekers	Seven-member Employment Training Panel	Customized training
New Jersey	Employers, workers	Employers, incumbent workers, dislocated workers, and youth	New Jersey Department of Labor	Various (customized training, individual grants, educational assistance, youth transitions)
Minnesota	UI-covered employers	Employers, incumbent workers, dislocated workers, public assistance recipients	Minnesota Job Skills Partnership	Various (customized training, industry partnerships with educational institutions, and skills training for low-wage and unemployed workers)
Maine	UI-covered employers	Low-income workers and jobseekers	Bureau of Employment Services	Training grants for low-income workers for high-wage and demand occupations

## A. CALIFORNIA

### BACKGROUND

When pundits describe California as “the leading edge of America,” innovative workforce development program models presumably are not the first thing they have in mind. Nonetheless, the Golden State’s Employment Training Panel (ETP) has set the standard since it began operations a quarter-century ago.

Since 1983, ETP has provided over \$1 billion to train more than 660,000 California workers in over 60,000 companies. The program is the most successful of its kind as well as one of the largest. Independent research has documented a return on investment of more than \$5 for every \$1 in ETP funds spent on training.<sup>12</sup> Politically, ETP enjoys the support of California’s employers, unions, politicians and public.

California’s legislature created ETP in 1982, during a period when high unemployment and pinched public resources threatened to curtail the state’s traditional economic dynamism and the manufacturing sector appeared at particular risk. The concept was to fund retraining services for workers and businesses struggling to keep pace in a changing economy; the program remains California’s only resource for retraining incumbent workers.

While the Panel has maintained its role in supporting retraining for “workers in basic industries facing out-of-state competition,”<sup>13</sup> ETP also has come to provide crucial support for California’s economic development agencies in efforts to attract, retain and expand business operations in the state by making training resources available as part of incentive agreements. During the 2005–2006

Fiscal Year, for instance, ETP approved over \$23 million in training funds for 29 new projects supporting business retention and expansion.

### FUNDING AND GOVERNANCE

California funds ETP through an Employment Training Tax levied on state employers who participate in California’s UI system. Participating employers pay a 0.1 percent surcharge on the first \$7,000 of each worker’s wages. This modest assessment typically raises between \$70 million and \$100 million for training each year. The sheer size of California’s economy, and the large numbers of businesses that operate within the state and engage in its UI system, ensures robust financing for ETP.

ETP is governed by a seven-member panel of appointees chosen by the Governor and state legislative leaders. Additionally, the Secretary of Business, Transportation and Housing serves as an ex-officio voting member. These officials review applications from employers to establish eligibility; once the Panel approves a training agreement based upon the initial application—a process that typically takes about two months—employers can begin training.

One advocate in California describes ETP as “almost obsessively performance-based.” ETP monies require a dollar-for-dollar employer match and the employer generally must assume all costs up-front, though training agreements sometimes allow companies to receive “progress payments” as trainees receive training rather than having to wait for full reimbursement after the program is complete.<sup>14</sup> Typically, ETP reimburses training costs 90 days after the program concludes if an agreed-upon percentage of trainees are retained in the previously agreed-upon jobs at a predetermined wage.

This strict regime has caused some problems for employers or training partnerships that, through no necessary fault of their own, were unable to retain their workers and had to absorb the cost of training expenditures they would not have made absent the likelihood of reimbursement. But these high standards also have been instrumental in maintaining remarkably high levels of political support for ETP.

State leaders consider ETP's pay-for-performance requirement one of the keys to the program's success. Others include the customized nature of the training and the labor/management collaboration fostered by ETP grants. Employers with unionized workforces must obtain a signed letter from the union indicating support for the training; more typically, unions and employers will apply together. California's State Labor Federation encourages labor/management training projects not currently using ETP to revise their programs to meet eligibility criteria. The program provides a significant inducement for employers and unions to more closely collaborate to build a competitive workforce.

## RESULTS

In FY2005-2006, the last year for which full data is available, ETP completed 179 contracts, serving 1,778 employers and 35,174 workers at an average per-trainee cost of \$951. These numbers are a bit below historic norms for ETP, reflecting a budget shortfall two years earlier at the time when these training agreements were struck; typically, the Panel completes more than 200 contracts each year. Additionally, from 2005-2006:<sup>15</sup>

- Contracts were completed serving all major industries in California, though the largest share of funds by far went to manufacturing

(61 percent). High technology sectors received 6 percent of ETP Funds.

- Businesses that received ETP grants in 2005-2006 tended to be small: 73 percent employed 250 or fewer workers, including 55 percent with 100 or fewer and 19 percent with no more than 20 workers.
- The average post-training wage for newly hired workers was \$11.11 per hour; incumbent workers who received retraining earned an hourly average of \$32.68, nearly three times as much.
- Common sectors and job titles of those receiving training included delivery and warehousing, clerical and office support, technical support, sales, machinists and machine operators, nurse assistants, construction and hospitality.

Panel members, acting at the behest of the state leaders who appointed them, also can use ETP to pursue other strategic initiatives. One example is the Nurse Training Initiative, a program to help certified nursing assistants and other healthcare workers to earn certification as licensed vocational nurses. During FY 2005-2006, ETP approved seven nurse upgrade training projects at a total cost of \$4.2 million, with a goal of training approximately 2,300 individuals for eventual licensure. This project aligns with another state effort, the Governor's Nurse Education Initiative supported with discretionary funds under the Workforce Investment Act, which assists licensed vocational nurses to become Registered Nurses, the highest job title in the nursing profession.

## **DRAWBACKS AND LIMITATIONS**

As noted above, ETP grantees run the risk of having to bear training costs for projects that go awry before completion, a prospect that scares off some potential applicants. Additionally, advocates complain that the application and review process is sufficiently complex that companies often utilize high-priced consultants who have specialized in the process. Common sense suggests that a firm that can afford the consultant can likely afford to provide its own training—so an unfortunately common outcome is that ETP resources flow to firms that can and should support their own up-skilling requirements. There is also a concern that some employers may be receiving repeat funding.

## **B. NEW JERSEY**

### **BACKGROUND**

While California's Employment Training Panel is often the standard by which other programs are judged, New Jersey's Workforce Development Partnership (WDP) and Supplemental Workforce Fund for Basic Skills (SWFBS) are in some ways even more audacious and impressive.

The Garden State is unique in supporting its funds through contributions by workers and employers alike, an arrangement that helps ensure political support from both industry and labor. These two sets of stakeholders, in turn, have worked with state officials to shape the direction of the program, identifying new needs as they have emerged. As New Jersey's federal allocation under WIA has shrunk in recent years, the WDP and SWFBS have come to play an ever more important role in the state's menu of job training and employment services.

The WDP was established in 1992 and initially supported grants for customized training for incumbent workers made to businesses, unions, and consortia; individual training grants for displaced workers; individual training grants for welfare-eligible "disadvantaged workers"; occupational safety and health training; and administration. In 1993, New Jersey legislators created the Youth Transition to Work Program, which is also supported through WDP. Customized training and individual training grants continue to remain the largest categories of expenditure, helping to ensure ongoing support from both businesses and anti-poverty advocates.

The Supplemental Workforce Fund for Basic Skills was created in 2001 for the purpose of supporting basic skills training for both unemployed and employed workers. A significant portion of the SWFBS is transferred annually to New Jersey's county colleges, including \$14 million in FY2007.

### **FUNDING AND GOVERNANCE**

New Jersey's Workforce Development Partnership Tax, which supports the WDP, is assessed at 0.1 percent of taxable wages for employers and 0.025 percent of taxable wages for workers. That amounts to approximately one dollar per every \$1,000 in taxable wages paid by employers, and one dollar per every \$4,000 in taxable wages earned by workers. The Supplemental Workforce Fund assesses a tax of 0.0175 percent of taxable wages on both employers and workers, equivalent to about a dollar per \$5,720 paid and earned.

The WDP was projected to generate \$103.8 million in Fiscal Year 2009, while the SWFBS was estimated to grow to \$30.6 million. As the New Jersey Office of Legislative Services reported in its budget analysis, the "total \$134.4 million in UI taxes redirected to

workforce development<sup>16</sup> exceeds the \$76.6 million in federal Workforce Investment Act funds in FY 2009 . . . and represents an annual level of funding of more than \$30 per UI-covered worker.”<sup>17</sup>

The New Jersey Department of Labor and Workforce Development is responsible for the administration of both programs.

## RESULTS

The state projected that for FY2008, the WDP would provide job training for an estimated 74,323 individuals—a number that dwarfs the 7,736 trained under WIA. Through WDP, New Jersey spent \$25.3 million on customized training grants in FY 2006 (the last year for which this data are available), with manufacturing, health and telecommunications among the most common target sectors. Employers that receive customized training grants must match the grants on a dollar-for-dollar basis and retain the workers trained; if they do not do so, they must reimburse the WDP. Grantee employers in unionized workplaces must develop training plans in cooperation with the union. Unions have used this leverage to win support for apprenticeship and workplace literacy initiatives and other programs that benefit New Jersey workers.

Within WDP, 45 percent of the fund dollars go into customized training grants, with individual training grants for displaced workers the next-largest share at 25 percent. In FY2006, New Jersey awarded 178 grants totaling \$25.3 million, enrolling an estimated 55,364 workers who “received training that enhanced their skill level in many disciplines. . . thus making them more productive for their employer and more marketable throughout their careers should they seek employment elsewhere.”<sup>18</sup> The state estimated a cost per customized training participant of \$499 for FY06.

The Heldrich Center for Workforce Development at Rutgers University evaluated ten customized training grants made in FY2003-2004.<sup>19</sup> All of the employers contacted reported that the grant helped provide for training that otherwise would not have occurred or would have been less comprehensive. Employers with fewer than 100 workers indicated particular satisfaction with the grants, which provided a badly needed supplement to their limited training budgets and available resources. All respondents told the interviewers that the training supported through the grants had increased employee productivity and their company’s competitive standing.

An additional noteworthy component of the customized training grant program is the vigorous monitoring program in place to ensure that funds are expended in the manner outlined by each grant proposal. Each customized training contract requires the state to conduct an audit for any grant where expenditures are more than \$100,000, performed by qualified independent auditors or internal groups that meet a state standard for independence. New Jersey’s Office of Internal Audit takes legal action pursuant to any investigation that yields questionable costs or non-compliance.

The Dislocated Worker Individual Training Grants program is the second-largest component of the WDP. Dislocated workers can apply for up to \$4,000 to seek training from state-approved providers, including community colleges, universities, proprietary and vocational training schools. In FY2006, the state spent \$10.5 million in grants to 3,439 individuals, 1,675 of whom subsequently found employment.

WDP also funds the Youth Transitions to Work program, which makes grants to consortia of educational institutions, unions and employers who seek to strengthen linkages between high schools, colleges, and apprenticeship programs. Among other services, Youth Transitions to Work helps participants in apprenticeship programs for eight major building trades earn full college credit for their efforts. For FY2006, Youth Transitions to Work enrolled 1,597 students, served 14 new consortia and obligated \$2.6 million from the WDP Fund.

Within the Supplemental Workforce Fund for Basic Skills, 24 percent is allocated for supporting basic skills training delivered at New Jersey's One-Stop Career Centers, facilities mandated by WIA where jobseekers can receive services; 28 percent is reserved for local Workforce Investment Boards to make grants to individuals seeking basic skills training; 38 percent is disbursed by the state's Office of Customized Training in grants to business, labor, and community-based providers of basic skills instruction; and the remaining 10 percent is used for administration or can be reallocated to the other uses.

One model of service delivery under SWFBS is the Workforce Learning Link, a technology-intensive program that assesses participants for their educational grade-level equivalent or English-language ability and then designs an individualized program to upgrade their skills. From July 1, 2006 through March 31, 2007, nearly 5,000 New Jersey residents utilized Workforce Learning Link.

#### **DRAWBACKS AND LIMITATIONS**

For the most part, New Jersey has seen much more contention over the disbursement of its dwindling WIA resources than the WDP or SWFBS funds. There is some concern, however, that customized training

grants under WDP give occasion for public monies replacing dollars for training that businesses could have afforded to spend themselves. Perhaps a more serious concern is that the large annual sums transferred to other programs—SWFBS monies allocated to county colleges, WDP funds redirected to support services for individuals receiving public assistance—present a political target. (It is important to note, however, that the resources shifted to support current and former public assistance recipients does support the larger goals of the WDP.) Finally, outcomes for SWFBS programs are still somewhat ill-defined.

### **C. MINNESOTA**

#### **BACKGROUND**

Long in the vanguard of states when it comes to pro-worker policies, Minnesota also enjoys this distinction in the realm of state workforce development funds.

First launched as the dislocated worker fund in 1991 as a resource to support workers laid off as a result of plant closings, the Workforce Development Fund (WDF) has evolved and expanded from its initial focus on services for dislocated workers into a flexible resource available to address a wide range of workforce needs. Though sometimes contentious through its nearly two-decade history, WDF generally has enjoyed support from both political parties.

State officials had been trying to devise new policies to better support dislocated workers since the late 1980s, when the pace of economic transformation accelerated and growing numbers of Minnesotans found themselves out of work. In response, the state instituted a temporary 0.1 percent assessment on all

taxable wages that went into effect in 1991. Over the following nine years, the fund generated sufficient revenue that in most years, even after services were provided to dislocated workers, millions of dollars remained.

Often the legislature would transfer excess funds into the state's general fund each year—a circumstance both worker advocates and the state Chamber of Commerce deemed unacceptable.<sup>20</sup> In 1999, the legislature moved both to reduce the tax, from 0.1 percent to 0.07 percent, and to transfer administration and oversight of both the fund and the dislocated worker program from the Minnesota Department of Economic Security to the Minnesota Job Skills Partnership (MJSP) board and staffing at the Minnesota Department of Trade & Economic Development.

For the following five years, the WDF continued to support dislocated workers as well as workforce-related "pass through grants" selected by the legislature. Most of these direct legislative appropriations from the workforce development fund were workforce- or economic development-related projects that had been previously funded with state general fund dollars. In 2005, the state merged the Department of Economic Security with the Department of Trade and Economic Development. The same year, legislation was passed that gave the MJSP board authority to transfer unexpended funds from the WDF for other MJSP grant programs.

Under MJSP auspices, WDF dollars can be used for programming beyond the previous menu of dislocated worker services and direct legislative appropriations. Since then, the MJSP Board has funded new initiatives to support short-term skills training for low-wage workers and the

unemployed, as well as dislocated workers. The 2005 legislation also created a new grant program, Special Incumbent Worker grants, to support more flexible customized training for more innovative, collaborative projects.

## FUNDING AND GOVERNANCE

In 2003, the legislature readjusted the workforce development tax to 0.1 percent of taxable wages, where it remained through 2007. The assessment was scheduled to drop to 0.085 percent for 2008, but an omnibus jobs bill canceled that reduction. Typically, the WDF raises approximately \$35 million per year; for Fiscal Year 2006, the total was over \$39.5 million. Services for dislocated workers, which are offered either through local providers funded through a formula or through a large layoff "project" that is paid for after a competitive bidding process, continue to have first claim on WDF funds. Unused funds can be transferred by the MJSP board to support its other grant programs.

At the time it assumed oversight of the WDF, the MJSP board was composed of representatives from the business and education communities. The board made grants to partnerships of private employers and educational institutions. MJSP grant programs are designed both to support businesses and to increase the capacity of Minnesota's educational providers. Already regarded as a bipartisan body with strong oversight capacity, the 12-member board became further diversified when its membership was changed to include one appointment made by each house of the legislature in addition to the previous statutory members, seven gubernatorial appointees, the commissioner of the employment and economic development agency, and representatives of the state college and university system and the University of Minnesota.

State law holds that four appointees must also be members of the Governor's Workforce Development Council (Minnesota's state Workforce Investment Board), including two from industry and two from organized labor, and that one member must represent a nonprofit organization that provides job training or employment services. These provisions guarantee a variety of institutional perspectives in MJSP decision-making, greatly increasing the odds that the body will support programming that serves all the stakeholders of the system. In Minnesota, the nonprofit representative has been particularly engaged, acting as the catalyst for new program development.

The authority enjoyed by the MJSP board since 2005 to determine that WDF money would remain after meeting dislocated worker program needs has allowed for new creativity and flexibility. In the words of one board member, "[t]his allowed for more innovation to try out new things, to have educational institutions collaborate with nonprofits, and develop new curricula for whole industries."

## RESULTS

In addition to serving dislocated workers in Minnesota, the WDF supports the other programming initiatives of the MJSP. The first of these is MJSP's original "Partnership Program," which offers customized training grants to businesses that collaborate with educational institutions. Additionally, MJSP has two other programs that make grants to partnerships between educational institutions that partner with businesses: the Health Care and Human Services grant program and the Pathways grant program. The Health Care and Human Services program supports training programs for new and/or incumbent workers in those fields, while

the Pathways program develops training geared towards individuals with incomes under 200 percent of poverty.

The Low-Income Worker Grant Program is a separate grant program that makes funding available to providers of employment services that serve clients with incomes below 200 percent of the federal poverty line to pay for short-term training that is approved by the MJSP Board. MJSP projected that an appropriation of \$1.5 million to 18 awardees made in February 2005 would provide training for 1,263 workers in fields including health care, welding, manufacturing, medical administration, security and banking.<sup>21</sup> A 2007 analysis of a previous round of grants made in 2002 serving 413 participants found that the overwhelming majority of participants for whom data was available remained in employment three full years after training ended, and the approximately one-third of all participants known to be working in industries related to their training had enjoyed an average wage gain of 24 percent.<sup>22</sup>

Both the Healthcare and Human Services and Pathways programs require some employer match to MJSP dollars, as does the Partnership Program. The MJSP board can use its general fund appropriation for grants in all four programs, as well as whatever monies it transfers from the WDF. By contrast, the WDF is the only source of support for Special Incumbent Worker grants. This program, which also requires a dollar-for-dollar business match, supports employers by offering new or customized training to impart worker skills "that are in demand in the Minnesota economy."<sup>23</sup> This differs from the original Partnership model in allowing for greater flexibility. As one advocate put it, "[t]his program is about developing new training strategies in the field, not something that

already exists—though it can be about newly using something that already exists in a different way, like a traveling welding class rather than having it in one place. We want to force people in the field to think about what they do a little differently.”

Typically, the MJSP Board makes three grant rounds each year, based on the recommendations of staff to decide between the Low-Income, Partnership and Pathway grant options. The Special Incumbent Worker program operates on a rolling basis. The great benefit of this model is that Minnesota can prioritize its programs as circumstances dictate: Pathways and Low-Income when the economy is worse, Partnership when conditions are better. The requirement of an employer match is another relative guarantee of business commitment, and MJSP staff can assess the willingness of employers to contribute in making their determinations as to which grant to make available.

#### **DRAWBACKS AND LIMITATIONS**

The Pathways and Partnership programs of MJSP are both viewed as economic development programs, and as such are somewhat vulnerable to political considerations. At least one major employer in the state has won a grant in recent years despite essentially failing to honor commitments to its employees after securing a similar grant in the mid-1990s. Additionally, since MJSP focuses in part on development of new program models as well as employee outcomes, there is some difficulty in gauging return on investment for certain program models.

## **D. MAINE**

### **BACKGROUND**

Last year, Maine became the most recent state to launch a workforce development program funded by payroll contributions.

Legislation creating the Competitiveness Skills Scholarship Program (CSSP) was introduced by Governor John Baldacci and enacted by the Maine legislature in spring 2007. The CSSP provides customers of Maine’s workforce system whose income is less than twice the poverty rate with the opportunity to earn educational credentials for work in occupations designated by the state as high-wage (a median wage at or above the \$13.76 per hour, \$28,621 annual median wage of all Maine occupations in 2006) and in-demand (at least 20 openings projected per year between 2004 and 2014).

The new legislation came about after a protracted campaign by several advocacy groups (including the Maine Equal Justice Project) and the AFL-CIO with the Chamber of Commerce and the Maine Department of Labor. Ultimately, the Chamber agreed to the creation of the CSSP in return for a very significant reduction in UI taxes assessed on businesses—approximately \$75 per employee per year through 2008 and 2009. The state achieved this saving by reducing the benefit reserve cap of its UI Trust Fund—one of the healthiest in the U.S.—from 21 to 18 months of benefits in reserve. The advocates were successful in arguing that raising the educational attainment of state residents ultimately will lead to further UI-related savings as unemployment trends down over time.

As is the case elsewhere, the Competitiveness Skills Scholarship seems likely to fill a void left by the absence of other funding support for job training and employment programs. As one advocate put it, “There are virtually no [Workforce Investment Act] dollars in the state for anything but infrastructure.” Though the dollar amounts are modest, CSSP could quickly count among the state’s largest resources for individual training. In contrast to California, individuals apply rather than companies. Incumbent workers are eligible as well as those not currently working.

### **FUNDING AND GOVERNANCE**

Maine businesses contribute to the Competitiveness Skills Scholarship fund through an offset to their state UI contributions, meaning that the total amount of payroll taxes collected for most employers remain the same with the addition of the CSSP program.

The amount of the contribution varies by the size of the employer and other factors, but virtually all are held harmless by the change. CSSP fund payments are subtracted from what the employer previously would have owed for UI. Only employers at the highest UI tax rate are charged extra (UI payroll taxes increase for those employers with more layoffs) as they do not qualify for the offset; it is estimated that these employers will pay about \$6 per employee.

Program officials anticipate that CSSP will have about \$1.3 million in funding available for Fiscal Year 2008, and \$2.9 million for FY2009. Advocates believe this amount will increase, to perhaps \$4.5 million by the end of the next decade. The Department of Labor must approve awards in excess of \$8,000 for a full-time student and \$4,000 for a part-time student.

The Bureau of Employment Services within Maine’s Department of Labor has administrative responsibility for the CSSP. At the operational level, however, case managers at Maine’s CareerCenters—facilities that offer “one-stop service” for all workforce-related programs, mandated under WIA—play the key role. All individuals who register at a CareerCenter must be notified about CSSP. Candidates who meet eligibility criteria for the program—those who are at least 18 years of age, legally eligible to work in the U.S., without a marketable post-secondary degree, with ability to undertake and complete the program, and with income less than 200 percent of the federal poverty standard for the size of their household—can apply.

CSSP provides for training and education leading to work in “high compensation occupations with significant demand for skilled labor.”<sup>24</sup> The Commissioner of Labor will determine annually which occupations meet these criteria, with advice from the Maine Jobs Council and local workforce boards. The administrative rule for CSSP provides for some regional variation in what industries qualify, as well as for adjusting the list as circumstances dictate. Additionally, individuals wishing to train for any occupation that has not been pre-approved may petition the Maine Department of Labor’s Director of Employment Services for approval to participate. The petition will be granted if the applicant demonstrates that the occupation for which he or she seeks training meets the CSSP requirements to qualify as high-wage and in-demand.

### **RESULTS**

Since the program only began operations on March 31, 2008, there are no results available yet, but demand has been very high through the early

going. Indeed, the program slots for the year were already filled within weeks of CSSP's launch.

For this first year, the state identified 119 job titles as suitable for training across three categories of educational requirement: high school diploma or less (for which it is anticipated that on the job training or related work experience will be required), post-secondary but less than a four-year degree, and a bachelor's degree or higher. Job titles in the first category range from butchers and meat cutters to construction positions and postal mail carriers and sorters; the second encompasses a range of opportunities in health care among other industries; and the third category includes a wide range of professionals, from teachers and upper-level information technology workers to physicians and accountants.

#### DRAWBACKS AND LIMITATIONS

The single most serious concern with CSSP is its limited initial funding. While perhaps inevitable as a startup program brought to life in a time of fiscal uncertainty, it is already clear that demand for the services offered far outstrips available resources. Supporters hope that between the strong indication of interest from Maine residents and the anticipated return on investment, state policymakers might find additional means to support the program.

Another potential concern is that CSSP is the responsibility of the same agency responsible for WIA performance in the state. Considering that WIA-funded services in Maine are in a state of flux, with some CareerCenters at risk of closure, this could mean less administrative attention paid to a fledgling program as it inevitably cycles through initial trial and error. Advocates strongly praise the state Department of Labor for its efforts to prepare CareerCenters to administer CSSP, but the overall

upheaval within the field might have an impact despite the best intentions and efforts of the Department.

## IV. RECOMMENDATIONS

The experiences of the standout programs profiled in this report offer the following valuable lessons for states looking to establish and maintain similar initiatives and to ensure that, once created, these programs prove enduring and effective.

- **Engage labor partners and the business community.** In state after state, unions and other labor-friendly groups have provided some of the strongest institutional support for education and training programs funded by payroll contributions. And while support from the business community varies from state to state, the most successful programs all have deep ties to the private sector. They can appeal to employers in a number of ways that do not hinder program operations: by lowering the overall UI assessment through offsets where state UI funding permits (Maine), offering preferential consideration for support of incumbent workers, limiting support to employer-led consortia (California), or sharing the tax burden among businesses and workers alike (New Jersey). Additionally, business-affiliated individuals are often called upon to exercise an oversight role for programs.
- **Provide for strict oversight and accountability—ideally through an independent body.** It is true that some successful programs are administered by the same state agency that runs programs funded

through the Workforce Investment Act and other federal sources. But political viability and quality of outcomes both seem to be enhanced when an outside entity, such as California's Employment Training Panel or Minnesota's Job Skills Partnership Board, is given program authority. Having a variety of institutional interests represented when it comes time to make decisions about the merits of grant proposals, or even which of several areas of programming to make available at a given time, helps to preempt complaints about favoritism or a failure to yield a robust return on the investment.

- **Identify political allies, high-need economic sectors and sympathetic public officials—and be prepared to defend results.** Even in the best circumstances, programs such as those discussed in this report will generate resistance. Virtually every successful initiative has the support of labor unions, nonprofit advocates and research organizations that can cite statistics to show the value of programs and produce examples of companies and workers who directly benefit from the services provided. These factors were vital in Maine's securing the Comprehensive Skills Scholarship Program after years of frustration and stalemate.
- **Avoid basing program funding on a UI trust fund balance or other conditional factors.** Although this funding approach will sometimes help advance the effort politically, it also likely renders the prospective program ineffective when it is needed most. A state's UI trust fund balance is likely to dip in times of recession, when more workers need to draw on the fund for support as unemployment rises. This runs counter to economic theory that calls upon

public actors to contribute more resources in times of contraction. Perhaps more important, it constrains program planners and providers from making commitments (including grants) beyond a very short time frame, as they cannot be assured that funds will be there to fulfill those commitments.

- **Coordinate, don't replicate.** As shrinking allocations and constricting regulations continue to limit what states can do through WIA, the field is left relatively wide open for states to offer services through education and training programs funded by payroll contributions. Even so, nothing feeds into the narrative of political opponents quite like offering the same services available through WIA or other federal programs. Maine and New Jersey are two states that have gone to considerable pains to avoid this trap. Maine's Competitive Skills Scholarship Program is very consciously the "resource of last resort" for assistance seekers, while New Jersey uses Supplemental Workforce Fund for Basic Skills dollars to shore up local workforce system program offerings, ensuring that the front-line workers who connect recipients to services are aware of everything else to which those individuals are entitled. Such precautions might frustrate both customers and providers, but they represent a prudent safeguard against unnecessary and wasteful duplication that can undermine political support and put programs in jeopardy.

# APPENDIX

State/Program Name	Year Started	Authorizing Legislation	Financing
<b>ALASKA</b> State Training and Employment Program (STEP)	1989	AS23.15.620-660; Alaska Administrative Code, Title 8 AAC 87.010 – 990.	0.1 percent of taxable wages per employee.
<b>ARIZONA</b> Job Training Program	2001	Chapter 41-1541. Arizona job training program. <a href="http://www.azleg.state.az.us/FormatDocument.asp?format=normal&amp;inDoc=/ars/41/01541.htm&amp;Title=41&amp;DocType=ARS">http://www.azleg.state.az.us/FormatDocument.asp?format=normal&amp;inDoc=/ars/41/01541.htm&amp;Title=41&amp;DocType=ARS</a>	0.1 percent on first \$7,000 in wages or \$7.00 per worker, whichever is lower.
<b>CALIFORNIA</b> Employment Training Panel	1982	Division 3, Part 1, Chapter 3.5 of the Unemployment Insurance Code	0.1 percent surcharge assessed to private, for-profit employers on the first \$7,000 of worker wages.
<b>DELEWARE</b> Blue Collar Training Fund	1984	<a href="http://dedo.delaware.gov/delawareworkforce/bluecollar.shtml">http://dedo.delaware.gov/delawareworkforce/bluecollar.shtml</a>	0.1– 0.15 percent of taxable wages; rate dependent upon state's UI trust fund balance.
<b>HAWAII</b> Employment and Training Fund	1991	Chapter 383–128: <a href="http://plonedev.hawaii.gov/labor/law/hrs/2006/383/HRS_0383-0128.htm">http://plonedev.hawaii.gov/labor/law/hrs/2006/383/HRS_0383-0128.htm</a>	0.01 percent assessment on employer taxable wages.
<b>IDAHO</b> Workforce Development Training Fund	1996	Idaho Statutes: Chapter 13, Employment Security Law 72–1347b <a href="http://www3.state.id.us/cgi-bin/newidst?sctid=720130047B.K">http://www3.state.id.us/cgi-bin/newidst?sctid=720130047B.K</a>	Training tax of 3 percent on each employer's taxable wage rate.
<b>INDIANA</b> Skills 2016 Training Assessment	1998	IC 22–4–10.5 <a href="http://www.in.gov/legislative/ic/code/title22/ar4/ch10.5.html">http://www.in.gov/legislative/ic/code/title22/ar4/ch10.5.html</a>	0.09 percent assessment on employer taxable wages.
<b>LOUISIANA</b> Incumbent Worker Training Program, Small Business Employee Training Program	1997	RS 23:1514: <a href="http://www.laworks.net/Downloads/IWTP/bus_IWTPlaw.pdf">http://www.laworks.net/Downloads/IWTP/bus_IWTPlaw.pdf</a>	Variable rate assessed based upon employer's UI experience rating and the state's UI trust fund balance.
<b>MAINE</b> Competitive Skills Scholarship Program	2007	Public Law 2007, Chapter 352: "An Act To Create the Competitive Skills Scholarship Fund and To Improve Maine Employment Security Programs." <a href="http://janus.state.me.us/legis/LawMakerWeb/externalsiteframe.asp?ID=280025270&amp;LD=1884&amp;Type=1&amp;SessionID=7">http://janus.state.me.us/legis/LawMakerWeb/externalsiteframe.asp?ID=280025270&amp;LD=1884&amp;Type=1&amp;SessionID=7</a>	Training fund assessment variable and offset against UI taxes.
<b>MASSACHUSETTS</b> Workforce Training Fund	1999	Chapter 29: Section 2RR <a href="http://www.mass.gov/legis/laws/mgl/29-2rr.htm">http://www.mass.gov/legis/laws/mgl/29-2rr.htm</a>	Employers contribute \$8.40 per worker per year.
<b>MINNESOTA</b> Job Skills Partnership Program Workforce Development Fund	1983 1991	Minnesota Statutes Chapter 116L <a href="http://www.revisor.leg.state.mn.us/revisor/pages/statute/statute_chapter_toc.php?chapter=116L">http://www.revisor.leg.state.mn.us/revisor/pages/statute/statute_chapter_toc.php?chapter=116L</a>	0.1 percent assessment of taxable wages.
<b>MISSISSIPPI</b> Workforce Training Enhancement Fund	2005	Section 71-5-353, Mississippi Code: <a href="http://billstatus.ls.state.ms.us/documents/2005/html/SB/2400-2499/SB2480SG.htm">http://billstatus.ls.state.ms.us/documents/2005/html/SB/2400-2499/SB2480SG.htm</a>	0.3 percent of taxable wages if the state's UI trust fund balance is greater than \$500 million.

# SUMMARY OF STATE EDUCATION & TRAINING FUND PROGRAMS

Funding Level (2007, unless otherwise noted)	Managing Agency	Outcomes	Notes
\$5.21 million for FY06	Alaska Department of Labor and Workforce Development	Analysis of 2006 outcome data found that 94 percent of STEP trainees are employed within 12 months, with participants earning more than \$71 million in Alaska wages in the year following their training. More than 90 percent of STEP participants remain in Alaska.	STEP has trained nearly 30,000 Alaskan workers since 1989.
Nearly \$20 million awarded through 121 grants in 2007	Arizona Department of Commerce	Through 2007, the Department of Commerce forecasted that 28,442 employees would receive training (3,520 new jobs; 24,922 incumbent workers).	Program offers a reimbursable grant: up to 75 percent of new hire costs, up to 50 percent to upgrade training for incumbent workers.
Estimated total available funding was \$67.3 million for FY2006-07	7-member panel; members appointed by Gov. and legislative leaders.	FY05-06: 544 contracts, training 164,955 individuals.	Independent research has documented a return on investment of over \$5 for every \$1 in ETP funds spent on training.
n/a	Delaware Economic Development Office	n/a	
n/a	Hawaii Department of Labor and Industrial Relations	n/a	
n/a	Idaho Workforce Development Council	n/a	
n/a	Indiana Economic Development Corporation	n/a	
n/a	Louisiana Workforce Commission	n/a	
\$1.35 million for state FY2007-2008.	ME Dept, of Labor, Bureau of Employment Services administers the program; high-demand industries are identified by the Employment Review Panel of the Maine Jobs Council.	n/a	Program will be operated through Maine's Career Centers; eligibility currently limited to individuals with household income under 200 percent of the federal poverty standard. Services will include access to education, training and support services for individuals preparing for high-demand, high-compensation jobs.
\$24 million	Workforce Training Fund Advisory Panel	1,042 grants awarded in FY2007, training 32,145 MA residents.	Since inception, program has awarded \$154 million in grants, leveraging \$300 million in employer contributions.
Approximately \$43.9 million	Minnesota Job Skills Partnership Board	9,707 workers trained in state FY06	In addition to dislocated worker services, JSPP now also funds grants for low-wage workers and other innovations; grants are awarded to educational institutions with businesses as partners.
Approximately \$20 million per year	State Board for Community and Junior Colleges; Governor's State Workforce Investment Board	n/a	

## SUMMARY CONT.

State/Program Name	Year Started	Authorizing Legislation	Financing
<b>MONTANA</b> Employment Security Account Apprenticeship and Training Program	1993 1941	Montana Code 39-51-409 — Employment security account <a href="http://law.justia.com/montana/codes/39/39-51-409.html">http://law.justia.com/montana/codes/39/39-51-409.html</a>	0.13 percent of taxable wages.
<b>NEBRASKA</b> Worker Training Program	1996	Nebraska Chapter 48-622.03 <a href="http://law.justia.com/nebraska/codes/s48index/s4806022003.html">http://law.justia.com/nebraska/codes/s48index/s4806022003.html</a>	Funded by the interest on UI trust fund's reserve tax of variable rate, 0 to 20 percent.
<b>NEVADA</b> Career Enhancement Program	1989	n/a	0.05 percent of taxable wages per employee.
<b>NEW JERSEY</b> Workforce Development Partnership (WDP) Supplemental Workforce Fund for Basic Skills (SWFBS)	1993 2001	WDP: P.L. 1992, c.43 SWFBS: P.L.2001, c.152	WDP Tax: 0.1 percent of employers' taxable wages /0.025 percent of workers' taxable wages; SWFBS Tax: 0.0175 percent of taxable wages on both employers and workers.
<b>NEW HAMPSHIRE</b> Job Training Program for Economic Growth	2001	RSA 12-A:54, II <a href="http://www.gencourt.state.nh.us/Rules/res2700.html">http://www.gencourt.state.nh.us/Rules/res2700.html</a>	.01 percent of the UI tax (training fund captures one-third of the revenue).
<b>NORTH CAROLINA</b> Worker Training Trust Fund	1989	North Carolina General Statutes 96-5	Interest on 20 percent reserve tax triggered when reserve fund is less than 1 percent of taxable wages.
<b>RHODE ISLAND</b> Job Development Fund	1992	<a href="http://www.rilin.state.ri.us/statutes/TITLE28/28-42/28-42-82.HTM">http://www.rilin.state.ri.us/statutes/TITLE28/28-42/28-42-82.HTM</a> RI State Statutes: CHAPTER 28-42 Employment Security – General Provisions SECTION 28-42-82	UI-offset tax:- 0.21 percent of employer's taxable payroll.
<b>SOUTH DAKOTA</b> Future Fund: Workforce Development Program	1987	South Dakota Codified Laws, Chapter 61-5-24.2 <a href="http://legis.state.sd.us/statutes/DisplayStatute.aspx?Statute=61-5-24.2&amp;Type=Statute">http://legis.state.sd.us/statutes/DisplayStatute.aspx?Statute=61-5-24.2&amp;Type=Statute</a>	UI-offset tax: ranging from 0.1 percent to 0.55 percent of taxable wages, depending on the employer's UI experience rating.
<b>TENNESSEE</b> Job Skills Program	1998	1998 Tenn. Pub. Acts, Chapter 1110	0.15 percent tax in effect when the UI trust fund balance exceeds \$750 million.
<b>TEXAS</b> Employment Training Investment Assessment (supports Texas Enterprise Fund and Skills Development Fund)	1995	Texas Labor Code, Section 204.121 <a href="http://tlo2.tlc.state.tx.us/statutes/docsLA/content/htm/la.004.00.000204.00.htm#204.121.00">http://tlo2.tlc.state.tx.us/statutes/docsLA/content/htm/la.004.00.000204.00.htm#204.121.00</a>	0.1 percent of the UI tax.
<b>WASHINGTON</b> Employment Administration Fund	1985	RCW 50.24.014: <a href="http://apps.leg.wa.gov/RCW/default.aspx?cite=50.24.014">http://apps.leg.wa.gov/RCW/default.aspx?cite=50.24.014</a>	0.02-0.03 percent of taxable wages, dependent upon employer rate class.
<b>WYOMING</b> Workforce Development Training Fund, Business	1997	Wyoming Statute 9-2-2604: <a href="http://legisweb.state.wy.us/statutes/statutes.aspx?file=titles/Title9/Title9.htm">http://legisweb.state.wy.us/statutes/statutes.aspx?file=titles/Title9/Title9.htm</a>	Tax is 14 percent of base rate when fund balance is less than 1 percent of total wages; legislature appropriates additional funds.

Funding Level (2007, unless otherwise noted)	Managing Agency	Outcomes	Notes
\$409,070 (7/1/06–6/30/07)	Montana Department of Labor and Industry	n/a	
\$1,657,720 for period between 7/1/06 and 6/30/07	Nebraska Worker Training Program Board	461 grants made from 7/1/06 through 6/30/07; over 17,000 Nebraska workers received training.	Through the history of the program, each state dollar has leveraged an average of three business dollars for training.
n/a	Nevada Department of Employment, Training and Rehabilitation	n/a	
WDP: \$97.4 million. SWFBS: \$27.3 million.  (Note: a portion of both funds were transferred to support other programs, e.g. \$8 million from SWFBS to support basic skill provision at community colleges in FY07).	New Jersey Department of Labor and Workforce Development.	WDP: 47,475 trainees estimated, FY2005.	For FY2007, the combined \$124.7 million far exceeded New Jersey's state WIA allocation.
n/a	New Hampshire Department of Resources and Economic Development	n/a	Transferred from the Department of Regional Community-Technical Colleges in 2007.
A paper balance of approximately \$1 million existed in the Fund as of 6/30/06.	Employment Security Commission	n/a	The Fund dried up as the state's UI Reserve was depleted; between 2000 and 2005, annual Fund income fell from \$13.9 million to \$313,000.
Approximately \$10 million	Rhode Island Department of Labor and Training	n/a	
n/a	South Dakota Department of Labor	n/a	
n/a	Tennessee Department of Economic and Community Development	n/a	State can make grants to employers as an incentive to invest in new technologies; training is focused on acclimating incumbent workers to changed responsibilities that result.
n/a	Texas Workforce Commission	n/a	
n/a	Washington Employment Security Department	n/a	
\$8,075,592 for 2007-2008	Wyoming Department of Workforce Services	Provided skill upgrade training for 4,012 workers in 493 firms between June 2006 and October 2007.	Demand from WY employers was so high that the WDTF temporarily closed between November 2007 and February 2008.

## ENDNOTES

- <sup>1</sup> Workforce Alliance, Skills2Compete Website (“In the Election” Forum) (available on-line at <http://www.workforcealliance.org/atf/cf/{93353952-1DF1-473A-B105-7713F4529EBB}/Not%20Ready%20to%20Compete%20-%20TWA%20-%202-5-07.pdf>).
- <sup>2</sup> The Workforce Alliance, “Not Ready to Compete,” 2007 (available on-line at <http://www.workforcealliance.org/atf/cf/{93353952-1DF1-473A-B105-7713F4529EBB}/Not%20Ready%20to%20Compete%20-%20TWA%20-%202-5-07.pdf>).
- <sup>3</sup> For additional background on these programs, see U.S. General Accounting Office, *Workforce Training: Almost Half of States Fund Employment Placement and Training through Employers Taxes and Most Coordinate with Federally Funded Programs* (GA-04-282, February 2004); Heath Prince (editor), *Strategies for Financing Workforce Intermediaries: Working Papers* (National Fund for Workforce Solutions: July 2007), at pages 69-110.
- <sup>4</sup> “State Job Training Program Pays Off for Local Workers,” *Sacramento Bee* (August 11, 2005); California Employment Training Panel Website (<http://www.etp.ca.gov/program.cfm>).
- <sup>5</sup> See Rick McHugh, Andrew Stettner, “Unemployment Insurance Financing Update: Examining State Trust Funds Facing Recession” (National Employment Law Project, May 2008).
- <sup>6</sup> New Jersey Business and Industry Association, On-Line Weekly Newsletter, May 4, 2007 (available on-line at [http://www.njbia.org/news\\_cma\\_070504.asp](http://www.njbia.org/news_cma_070504.asp)).
- <sup>7</sup> State-by-state WIA allocations (available on-line at <http://womenwork.org/pdfresources/State%20by%20state%20WIA%20rescissi.pdf>).
- <sup>8</sup> Testimony of Harry Holzer before the Subcommittee on Labor, Health and Human Services, Education and Related Agencies, Committee on Appropriations, House of Representatives, February 26, 2008 (available on-line at [http://www.urban.org/UploadedPDF/901149\\_Holzer\\_workforce.pdf](http://www.urban.org/UploadedPDF/901149_Holzer_workforce.pdf)).
- <sup>9</sup> Workforce Alliance, “Effects of \$335 Million Rescission on 2007 WIA Allocations” (available on-line at <http://www.workforcealliance.org/atf/cf/{7B93353952-1DF1-473A-B105-7713F4529EBB%7D/TWA%20WIA%20RECISSION%20ON%20STATES%20FS%207-07%20V.2.PDF>).
- <sup>10</sup> Estimate by the Minnesota Chamber of Commerce of collections from the state’s Workforce Development Tax, cited in “Workforce Development Background” (available online at [http://www.mnchamber.com/priorities/workforcedev\\_bkgd.pdf](http://www.mnchamber.com/priorities/workforcedev_bkgd.pdf)).
- <sup>11</sup> Program began in 2008; The Maine Equal Justice Project estimates that Maine’s Competitive Skills Scholarship Program will have \$1.3 million available for the current year and \$2.9 million for Fiscal Year 2009.

- <sup>12</sup> Richard Moore, et al., *ETP at Work: An Evaluation of 1995-1996 ETP Projects* (College of Business Administration and Economics, California State University: January 2000).
- <sup>13</sup> State of California, Employment Training Panel, Strategic Plan (2006-2007).
- <sup>14</sup> State of California, Employment and Training Panel, Frequently Asked Questions (available on-line at <http://www.etp.cahwnet.gov/faq.cfm>).
- <sup>15</sup> State of California, Employment and Training Panel, Annual Report 2006-2007.
- <sup>16</sup> According to analysis conducted by the New Jersey Department of Labor and Workforce Development, not every dollar remains in the funds. For FY 2007, nearly \$42 million in WDP money was transferred to other programs, such as Temporary Assistance to Needy Families and Youth Corps.
- <sup>17</sup> Analysis of the New Jersey Budget, Department of Labor and Workforce Development, Budget for Fiscal Year 2006-2007, New Jersey Office of Legislative Services (April 2006) at page 19.
- <sup>18</sup> Responses of New Jersey Department of Labor and Workforce Development to the Legislature's Inquiries, Fiscal Year 2007-2008 (available online at [http://www.njleg.state.nj.us/legislativepub/budget2008/DeptResponse/labor\\_responses.pdf](http://www.njleg.state.nj.us/legislativepub/budget2008/DeptResponse/labor_responses.pdf)).
- <sup>19</sup> Ibid.
- <sup>20</sup> Minnesota Chamber of Commerce, "Workforce Development Background" (available online at [http://www.mnchamber.com/priorities/workforcedev\\_bkgd.pdf](http://www.mnchamber.com/priorities/workforcedev_bkgd.pdf)).
- <sup>21</sup> Minnesota Job Skills Partnership Board, "Update on Low-Wage Worker Training Grants, February 2005" (unpublished version provided by the Board's staff).
- <sup>22</sup> Minnesota Job Skills Partnership Board, "2002 Low-Income Worker Training Program, Follow-Up to 2003 Analysis, February 2007" (unpublished version provided by Board's staff).
- <sup>23</sup> Minnesota Job Skills Partnership Board, "Workforce Training Programs" (available online at <http://www.deed.state.mn.us/mjsp/PDFs/MJSPmatrix.pdf>).
- <sup>24</sup> Maine Competitive Skills Scholarship Program, Final Rule (12-597, Chapter 2: 2008).

