United States General Accounting Office

GAO

Report to Congressional Requesters

February 2002

# WORKFORCE INVESTMENT ACT

# Better Guidance and Revised Funding Formula Would Enhance Dislocated Worker Program

GAO-02-274

# Contents


**Letter** 1

Results in Brief 3
Background 5
With Greater Flexibility, Local Workforce Areas Tailored Services to Meet Dislocated Worker Needs 8
WIA Flexibility Allowed States To Use Set-Aside Funds for Various Statewide Activities in Addition to Rapid Response 15
Funding Formula Is Problematic 24
Conclusions 29
Recommendation for Executive Action 30
Matter for Congressional Consideration 31
Agency Comments 31

**Appendix I** **Objectives, Scope, and Methodology** 34

Site Visits 34
Surveys 36

**Appendix II** **Use of Dislocated Worker Funds for Rapid Response in 42 States** 37

**Appendix III** **Combined Set-Aside Funds Available for Statewide Activities in 52 States** 39

**Appendix IV** **Percentage of Statewide Set-Aside Funds Used for Various Activities** 41

**Appendix V** **Detailed Listing of the Federal Funding Formula for Dislocated Workers** 57

**Appendix VI** **Comments from the U.S. Department of Labor** 65

**Appendix VII** **GAO Contacts and Staff Acknowledgments** 68

GAO Contacts 69
Staff Acknowledgments 69

**Related GAO Products** 70

## Tables

Table 1: Changes in Rapid Response under WIA for 20 States 21
Table 2: Activities Funded by 43 States That Combined Their Adult, Youth, and Dislocated Worker Set-Aside Funds for Statewide Activities in Program Year 2000 23
Table 3: Dislocated Worker Funding and Dislocation Activity for Selected States 35
Table 4: Local Workforce Areas Selected for Visits 35
Table 5: Program Year 2000 Dislocated Worker Allotment and Rapid Response Set-Aside Funds in 42 States 37
Table 6: Program Year 2000 WIA Allotments and Maximum 15 Percent Combined Set-Aside for Statewide Activities for 52 States 39
Table 7: Dislocated Worker Allotments for Program Years 1997 through 2001, by State 57
Table 8: Percentage Change in Total Dislocated Worker Allotments for Program Years 1998 through 2001, by State 58
Table 9: States with Excess Unemployment for Program Years 1997 through 2001 60
Table 10: Percentage Change in Long-Term Unemployment Allotments from Prior Year, by State 61
Table 11: Total Dislocated Worker Allotment per Unemployed Worker for Program Years 1997 through 2001, by State 63

## Figures

Figure 1: Number of Dislocated Workers Registered in Program Year 1999 under JTPA and in Program Year 2000 under WIA in 14 Local Areas 11
Figure 2: Number of Dislocated Workers Enrolled in Training at 14 Local Areas in Program Year 1999 under JTPA and in Program Year 2000 under WIA 12

Figure 3: Program Year 2000 Dislocated Worker Funds Obligated for Rapid Response Activities in 42 States 16
Figure 4: Providers of Various Rapid Response Services 18
Figure 5: Ten States with the Largest Percentage Change in Dislocated Worker Allotments from Program Year 2000 to Program Year 2001 25
Figure 6: Number of States That Received Dislocated Worker Allotments Based on Excess Unemployment in Program Years 1997 through 2001 26
Figure 7: Two States with the Largest Percentage Change in Long-Term Unemployment Allotments for Program Years 2000 and 2001 28
Figure 8: Five-Year Dislocated Worker Allotments per Unemployed Resident for Three States with Similar Program Year 1997 Allotments 29
Figure 9: Percentage of Statewide Set-Aside Funds Spent on Disseminating State List of Training Providers 41
Figure 10: Percentage of Statewide Set-Aside Funds Spent on Conducting Evaluations of Programs or Activities 42
Figure 11: Percentage of Statewide Set-Aside Funds Spent on Providing Incentive Grants to Local Areas 43
Figure 12: Percentage of Statewide Set-Aside Funds Spent on Providing Technical Assistance to Local Areas 44
Figure 13: Percentage of Statewide Set-Aside Funds Spent on Assisting in the Establishment or Operation of One-Stop Delivery Systems 45
Figure 14: Percentage of Statewide Set-Aside Funds Spent on Additional Assistance for Local Areas with a High Concentration of Eligible Youths 46
Figure 15: Percentage of Statewide Set-Aside Funds Spent on Operating Fiscal and Management Accountability Information Systems 47
Figure 16: Percentage of Statewide Set-Aside Funds Spent on Carrying Out General State-Level Administrative Activities 48
Figure 17: Percentage of Statewide Set-Aside Funds Spent on Providing Capacity Building to Local Areas through Training of Staff and Development of Exemplary Program Activities 49
Figure 18: Percentage of Statewide Set-Aside Funds Spent on Conducting Research and Demonstration Projects 50
Figure 19: Percentage of Statewide Set-Aside Funds Spent on Implementing Incumbent Worker Training 51

Figure 20: Percentage of Statewide Set-Aside Funds Spent on Implementing Programs Targeted to Empowerment Zones and Enterprise Communities 52
Figure 21: Percentage of Statewide Set-Aside Funds Spent on Providing Support for the Identification of Eligible Training Providers 53
Figure 22: Percentage of Statewide Set-Aside Funds Spent on Implementing Programs for Displaced Homemakers 54
Figure 23: Percentage of Statewide Set-Aside Funds Spent on Implementing Training Programs for Nontraditional Employment Positions 55
Figure 24: Percentage of Statewide Set-Aside Funds Spent on Other Activities 56

## Abbreviations

| | |
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| JTPA | Job Training Partnership Act |
| UI | unemployment insurance |
| WIA | Workforce Investment Act |

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Accountability * Integrity * Reliability

**United States General Accounting Office**
**Washington, DC 20548**

February 11, 2002

The Honorable Edward M. Kennedy
Chairman

The Honorable James M. Jeffords
Committee on Health, Education, Labor, and Pensions
United States Senate

In the past, the nation's job training system was fragmented, consisting of overlapping programs that did not serve job seekers or employers well. Then, in 1998, the U.S. Congress passed the Workforce Investment Act (WIA), seeking to create a system connecting employment, education, and training services to better match job seekers to labor market needs. WIA specifies separate funding sources for each of the act's main client groups—adults, youths, and dislocated workers. In general, dislocated workers are those who have been laid off and are unlikely to return to their previous employment. During program year 2000,[1] the Congress appropriated about $950 million to provide services to adults, $1.2 billion to provide services to youths, and $1.6 billion to assist states in providing services to some of the 3.3 million people laid off from their jobs each year. The dislocated worker program under WIA has taken on increased importance because the economy, which had entered a recession in March of 2001, took a sharper downturn with the loss of an estimated 415,000 jobs during the month following the terrorist attacks of September 11, 2001—the largest employment decrease in a single month in more than 20 years.

When WIA replaced the Job Training Partnership Act (JTPA), it changed the definition of who is targeted for services and the way that the services are funded and delivered. The new legislation introduced a greater degree of state and local flexibility that allows training and employment programs to be designed and managed at the local level to meet the unique needs of local businesses and individuals. Under WIA, states can set aside up to 25 percent of their dislocated worker allotment to provide "rapid response" to layoffs and plant closings. States can also set aside up to 15 percent of

[1] A program year begins on July 1 of a year and ends on June 30 of the following year. A program year is designated by the year in which it begins. Thus, program year 2000 began on July 1, 2000, and ended on June 30, 2001.

their dislocated worker allotment and combine these funds with similar funds from their adult and youth allotments to support a variety of other statewide activities. States allocate the remainder of the dislocated worker funds to local workforce areas. Because states did not implement many of WIA's provisions until July 1, 2000, little information has been available on how WIA changed the way that services are provided to dislocated workers. To determine how states and local workforce areas are assisting dislocated workers under WIA, you asked us to determine

- How WIA has affected the services provided to dislocated workers at the local level
- How funds set aside for rapid response and other statewide activities are used to assist dislocated workers under WIA
- Whether the dislocated worker funding formula distributes funds to states in relation to their dislocated worker population

To determine how services are provided to dislocated workers, we sent two surveys to 50 states, the District of Columbia, and Puerto Rico[2] and visited 14 local workforce areas located in 6 states. One survey focused on how states used dislocated worker set-aside funds for rapid response activities, and the other survey focused on how states used combined set-aside funds from the adult, youth, and dislocated worker programs. We received 50 responses to each survey. We also visited six states (California, Illinois, Louisiana, Maryland, Massachusetts, and Minnesota) that provided variety in terms of program year 2000 funding, number of dislocated workers, and geographic dispersion. Within each state, we visited two local workforce areas, except in California where we visited four areas. We judgmentally selected these workforce areas to represent a range of funding amounts and urban and rural areas. We also interviewed, either in person or by telephone, state officials and representatives of the local Workforce Investment Boards in each local area that we visited. (App. I contains a more detailed discussion of our scope and methodology.) We performed our work between December 2000 and December 2001 in accordance with generally accepted government auditing standards.

[2] Hereinafter, the term "states" will refer collectively to the 50 states plus the District of Columbia and Puerto Rico.

## Results in Brief

With the greater flexibility granted by WIA, local workforce areas are likely to offer services to dislocated workers that are tailored to local needs and that emphasize a quick return to employment. Some local workforce officials have tailored their programs to meet the specific needs of dislocated workers in their areas. For example, one local workforce area established a separate career resource center to assist the area's professional workers who have been dislocated as well as employers seeking such applicants with experience in areas such as software development and biotechnology. Nine of the local workforce areas that we visited emphasized a quick return to work and enrolled fewer dislocated workers into training than were enrolled under JTPA, while five local areas enrolled an equal or greater number of dislocated workers into training than were enrolled under JTPA. Collectively in the 14 local workforce areas, 52 percent fewer dislocated workers (about 1,500 workers) received training during the first year under WIA than received training during the previous year under JTPA. In addition, while Labor has provided guidance and technical assistance to state and local workforce officials in transitioning from JTPA to WIA, guidance concerning basic program requirements has been limited, resulting in some confusion for state and local workforce officials responsible for implementing the program.

States used the flexibility under WIA to decide how much of their set-aside funds to spend on rapid response for dislocated workers and how much to spend on other statewide activities. Most of the 50 states answering our survey on rapid response activities said that the state rapid response unit provided services when layoffs and plant closings involved 50 or more workers and that the state generally relied on local workforce area officials to provide rapid response services for layoffs affecting fewer workers. On average, states obligated 12 percent of their dislocated worker funds to provide rapid response services. Obligations varied substantially, however, ranging from those of Hawaii and Wyoming, which obligated less than one percent of their dislocated worker funds for rapid response, to those of Georgia and Rhode Island, which obligated the maximum 25 percent. Some states provided only general information about benefits and available services to workers during the rapid response visit, while other states provided workshops covering such topics as résumé writing, interviewing, and stress management. In addition, under WIA, states have the flexibility to set aside up to an additional 15 percent of their dislocated worker funds to support statewide activities other than rapid response, such as maintaining a management information system. Of the 50 states responding to our survey on the use of these set-aside funds, 43 states combined funds from the dislocated worker set-aside with funds

from the adult and youth set-asides to support a variety of statewide activities and programs. For example, Virginia spent the majority of its combined funds to support the development and operation of a statewide management information system, Missouri spent the majority of its combined funds on establishing one-stop centers, and Iowa spent nearly two-thirds of its combined funds on statewide administrative activities.

The dislocated worker funding formula distributes funds to states in a manner that does not recognize fluctuations in state dislocated worker populations. Workforce officials in several states expressed concern that the dislocated worker funding formula specified in WIA and created in 1982 under JTPA causes dramatic funding fluctuations not related to the number of dislocated workers in a state. The primary causes of funding volatility appear to be related to two parts of the formula: the number of excess unemployed (the number of unemployed individuals greater than 4.5 percent of the labor force) in a state and the number of long- term unemployed individuals (individuals who have been unemployed for fifteen weeks or longer) in a state. The number of states receiving any funding based on excess unemployment declined from 36 states in program year 1997 to 13 states in program year 2001. Fewer eligible states combined with increasing funding over this period resulted in more funding for those states still eligible. For example, Mississippi's nearly 130 percent increase in funding was largely due to the decrease in the number of states eligible for funding under this criterion. The part of the funding formula that incorporates the number of long-term unemployed persons is particularly problematic, because a state's long-term unemployment data can vary significantly from year to year and is not representative of the number of dislocated workers in a state. For example, in program year 2000, the long-term unemployed in New Hampshire increased by more than 85 percent and in the following year declined by nearly 45 percent. The volatility created by this part of the formula is also quite problematic in that the long-term unemployed are no longer automatically eligible for the dislocated worker program.

We are recommending that the secretary of Labor provide additional guidance to local workforce areas as they further define their policies and procedures and that the secretary disseminate timely information on best practices being developed by local areas to meet the needs of their dislocated workers. We are also suggesting that the Congress consider modifying the existing dislocated worker funding formula and direct the U.S. Department of Labor (Labor) to undertake a study that would provide options for better distributing dislocated worker funds to minimize

funding volatility and better distribute program funds to states in relation to their dislocated worker population.

## Background

WIA specifies one funding source for each of the act's main client groups—adults, youths, and dislocated workers. Labor estimated that approximately 927,000 dislocated workers would be served with these funds in program year 2000. A dislocated worker is an individual who (1) has been terminated or laid off, or who has received a notice of termination or layoff, from employment; is eligible for, or has exhausted entitlement to, unemployment insurance or is not eligible but has been employed for a sufficient duration to demonstrate attachment to the workforce; and is unlikely to return to previous industry or occupation; (2) has been terminated or laid off, or has received a notice of termination or layoff, from employment as a result of any permanent plant closure of, or substantial layoff at, a plant, facility, or enterprise; (3) was self employed but is unemployed as a result of general economic conditions in the community in which the individual resides or because of natural disasters; or (4) is a displaced homemaker.[3]

The secretary of Labor retains 20 percent of the dislocated worker funds in a national reserve account to be used for emergency grants, demonstrations, and technical assistance and allots the remaining funds to each of the 50 states, the District of Columbia, and Puerto Rico according to a specific formula. The formula, first adopted in 1982 under the Job Training Partnership Act, was grandfathered into the dislocated worker program under WIA. According to the formula, of the total funds that Labor allots to the states, one-third is based on each of the following:

- the number of unemployed in the state compared with the total number of unemployed in all states,
- the number of excess unemployed in the state compared with the total number of excess unemployed in all states (i.e., the number of unemployed greater than 4.5 percent of the total civilian labor force in each state), and

[3] A displaced homemaker is an individual who has been providing unpaid services to family members in the home and who (a) has been dependent on the income of another family member but is no longer supported by that income and (b) is unemployed or underemployed and is experiencing difficulty in obtaining or upgrading employment.

- the number of individuals unemployed for 15 weeks or more in the state compared with the number of individuals unemployed for 15 weeks or more in all states.

Upon receiving its allotment, each state can reserve no more than 25 percent of its dislocated worker funds to provide "rapid response" services to workers affected by layoffs and plant closings. The funds set aside by the states to provide rapid response services are intended to help dislocated workers transition quickly to new employment. In its regulations, Labor divides rapid response activities into the following three categories:

**Required services**. These include immediate and on-site contact with the employer experiencing layoffs as well as with employee representatives to assess the needs of affected workers and to provide information to the affected workers about unemployment insurance (UI) and other services.

**Optional services**. These include developing programs for layoff aversion and incumbent worker training and for analyzing economic dislocation data.

**Additional assistance**. This includes providing aid to local areas that are experiencing increased unemployment, to pay for direct services such as training.

Under WIA regulations, each state is required to have a rapid response unit with responsibility for rapid response services. The staff in these units may deliver services directly by providing orientations or workshops for dislocated workers, or they may supervise the provision of such services. In the latter capacity, the state unit staff would assign the delivery of direct services to other personnel such as local area staff or private contractors.

In addition to the dislocated worker funds that are set aside for rapid response, WIA allows states to set aside up to 15 percent of their dislocated worker allotment to support statewide activities other than rapid response. These may include a variety of activities that benefit adults, youths, and dislocated workers statewide, such as providing assistance in the establishment and operation of one-stop centers, developing or operating state or local management information systems, and disseminating lists of organizations that can provide training. WIA also permits states to combine the set-aside from the dislocated worker allotment with similar set-asides from their adult and youth allotments. After states set aside funds for rapid response and for other statewide

activities, they allocate the remainder of the funds—at least 60 percent—to their local workforce areas. Approximately 600 local workforce areas exist throughout the nation to provide services to dislocated workers.

When the Congress passed WIA in 1998, the dislocated worker program was changed in ways that have important implications for dislocated workers. Unlike JTPA, WIA ensured that some job search and placement assistance is offered to anyone who seeks it, whether or not he or she is eligible for the dislocated worker program. WIA also created three sequential levels of service—core, intensive, and training. In order to move from the core level to the intensive level and from the intensive level to training, an individual must be unable to obtain a job that allows him or her to become self sufficient.[4]

Under WIA, the initial core services—including job search and placement assistance, the provision of labor market information, and preliminary assessment of skills and needs—are available to everyone, whether or not he or she is a dislocated worker. If a dislocated worker is determined to be unable to find a job or has a job that does not lead to self-sufficiency after core services, he or she can receive intensive services, which include comprehensive assessments, development of an individual employment plan, case management, and short-term prevocational services.[5] A dislocated worker cannot receive intensive services until he or she is officially registered in the program. A dislocated worker who is determined to be unable to find a job leading to self sufficiency after intensive services can move on to training. At this level, a dislocated worker can receive occupational skills training, on-the-job training, and customized training.[6]

[4] The criteria for determining whether employment leads to self-sufficiency are set by either state or local workforce boards and, for dislocated workers, may include employment that pays a percentage of the layoff wage or employment that pays a specified wage established for the local area.

[5] Short-term prevocational services prepare individuals for employment or training and include development of learning skills, communication skills, interviewing skills, punctuality, personal maintenance, and professional conduct.

[6] Customized training is designed to meet the special requirements of an employer and is conducted with a commitment by the employer to hire the individual upon successful completion of the training, for which the employer pays not less than 50 percent of the cost.

## With Greater Flexibility, Local Workforce Areas Tailored Services to Meet Dislocated Worker Needs

With the greater flexibility granted by WIA, local workforce areas are likely to offer services tailored to local needs and services that emphasize a quick return to employment. Many of the local areas that we visited tailored services or designed programs to meet the needs of dislocated workers in their areas. Some workforce areas had also adopted a work-first approach to their services and required individuals to dedicate a set amount of time or a specific number of tasks to finding employment before receiving additional services, such as training. This meant that more individuals returned to work before being registered in the dislocated worker program. Thus, fewer dislocated workers were registered in the program and fewer were enrolled in training. Although WIA was intended to provide local workforce officials with greater flexibility, it also increased their need for timely and accurate information concerning the provisions of the legislation that they are required to implement. Labor has provided guidance and technical assistance to help states transition from JTPA to WIA. Despite these efforts, state and local officials cite an ongoing need for guidance concerning basic program requirements and how to interpret them.

### Several Local Areas Used Flexibility to Tailor Services to the Needs of Their Dislocated Workers

Several of the local areas we visited tailored their services or designed programs to meet the particular needs of the dislocated workers in their areas. For example, staff at the one-stop centers that we visited provided general orientation about available services to all interested individuals. However, one local area in California designed an orientation program exclusively for dislocated workers. At this two-hour orientation, benefits and requirements specific to dislocated workers were described and counselors met one-on-one with interested workers for more in-depth needs assessments and strategy development. Unlike other local areas that we visited, this area had two staff members who were responsible for providing a range of services only to dislocated workers.

Another local area in California established a separate career resource program to assist the area's professional workers who have been dislocated and employers seeking qualified job applicants in areas such as software development, biotechnology, communications, and human resources. The program, tailored to professional and high-tech dislocated workers, provided the dislocated workers with their own one-stop center where job information and computers were available. In addition, regular meetings were held to share information on job leads and career fairs as well as for moral support. This program also had its own Web site where participating dislocated workers could post their résumés. Employers looking for qualified professional or high-tech applicants were able to

search the Web site for potential candidates by means of key words, such as "Web design," and obtain a list of all résumés containing those key words.

A local area in Maryland that we visited was administering a 3-year $20-million dislocated worker demonstration grant tailored to local employer needs. The training programs consisted of customized training with extensive involvement from employers in designing the programs to train 3,000 people for high-tech jobs in a metropolitan area covering three states. The program focused on entry-level information technology and telecommunication jobs and, to date, has established training programs for Web developers and cable technicians. This same local area also developed a career transition workshop to help dislocated workers cope emotionally with being laid off and plan for the future.

A local area in Louisiana facing a major plant closing tailored a program to meet the needs of the 1,300 workers being laid off. Workers in this plant were primarily from two adjacent workforce areas. Staff from these two areas joined together to establish a transition center on site at the employer's location. Staff and computers were available around the clock to advise the workers of available services; provide job search and placement assistance, career counseling, and vocational assessments; and register workers into the dislocated worker program under WIA.

## Some Local Areas Emphasized Job Search and Placement, Leading to Fewer Dislocated Worker Registrations

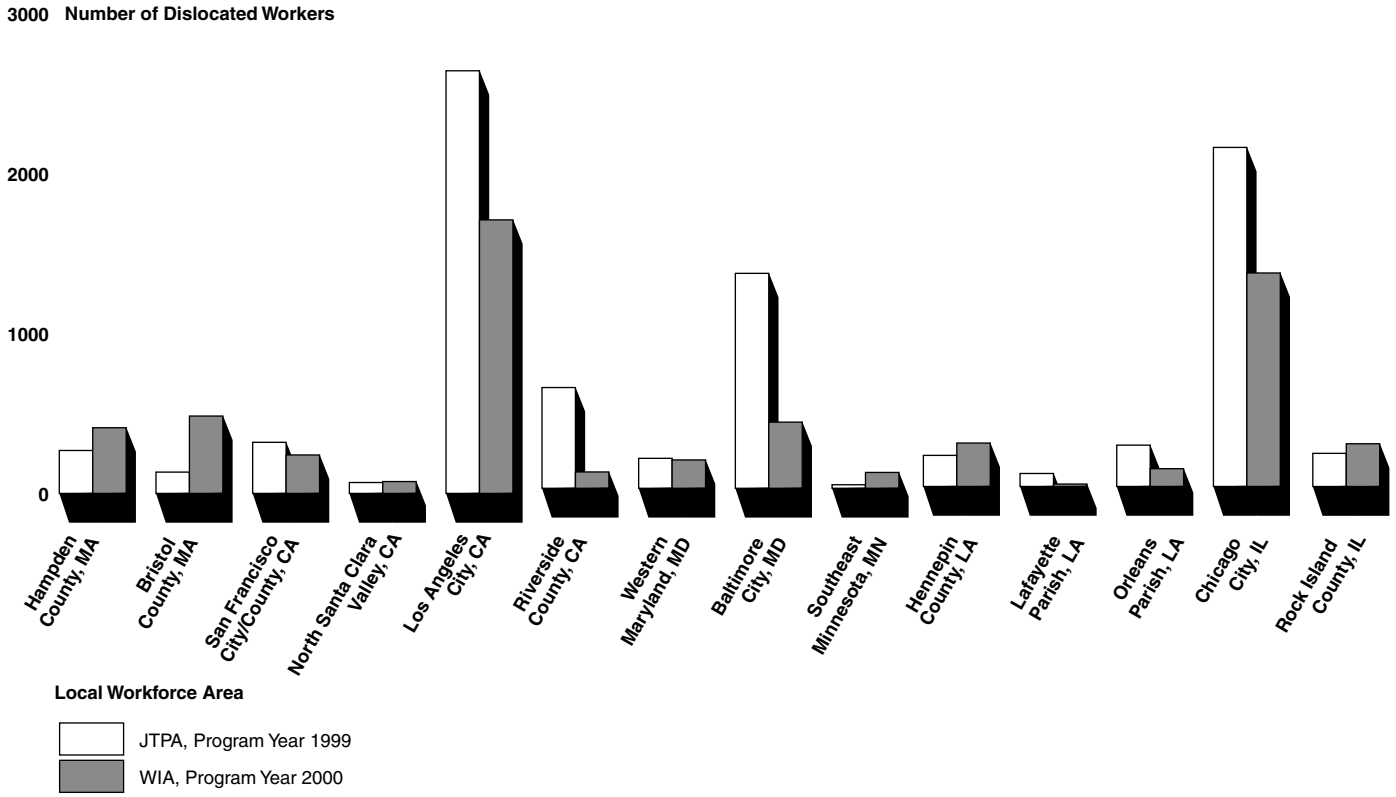
The emphasis placed by some local workforce areas on individuals finding a job and the availability of job search and placement assistance prior to enrolling in the dislocated worker program has reduced the number of people registering in the dislocated worker program in those areas. Some local officials have interpreted WIA's requirements as supporting a work-first philosophy. In four of the local areas we visited, officials required individuals to spend a certain amount of time or perform a specific number of tasks related to finding employment before registering in the dislocated worker program and receiving additional services. In its March 2001 Status of WIA Readiness Implementation Report,[7] Labor acknowledged that many local areas have adopted some form of a work-first approach to the delivery of services that stresses the importance of a quick entry or reentry into the workforce. Officials from several of the

[7] See U.S. Department of Labor, Employment and Training Administration, Office of Field Operations, *Status of WIA Readiness Implementation Report* (Washington, D.C.: 2001).

local areas that we visited confirmed that they viewed WIA as a work-first program that emphasizes returning dislocated workers to the workforce. For example, a counselor from a local area in Massachusetts told us that if a client has a marketable skill, he or she must reenter the workforce regardless of any desire for training for a career change.

Unlike JTPA, which required that an individual be enrolled as a participant before receiving any services, WIA requires the provision of core services to all adults who seek them, regardless of program eligibility. All of the one-stop centers that we visited had a resource area where individuals could access labor market information, review job openings, create résumés, and even attend some workshops, with topics such as interviewing techniques, without registering for the dislocated worker program. Some local program officials believe that many individuals found employment through these core services and that they therefore did not go on to seek other services that would have required program registration. Because program participation is not recorded before receipt of these preliminary services, the total number of people who used them and found employment is not known. Collectively, the 14 locations that we visited registered nearly 3,000 fewer dislocated workers during the first year of WIA than they had registered under JTPA during the previous program year (5,603 vs. 8,462). Of these locations, eight registered fewer dislocated workers under WIA and six registered more dislocated workers (see fig.1).

**Figure 1: Number of Dislocated Workers Registered in Program Year 1999 under JTPA and in Program Year 2000 under WIA in 14 Local Areas**



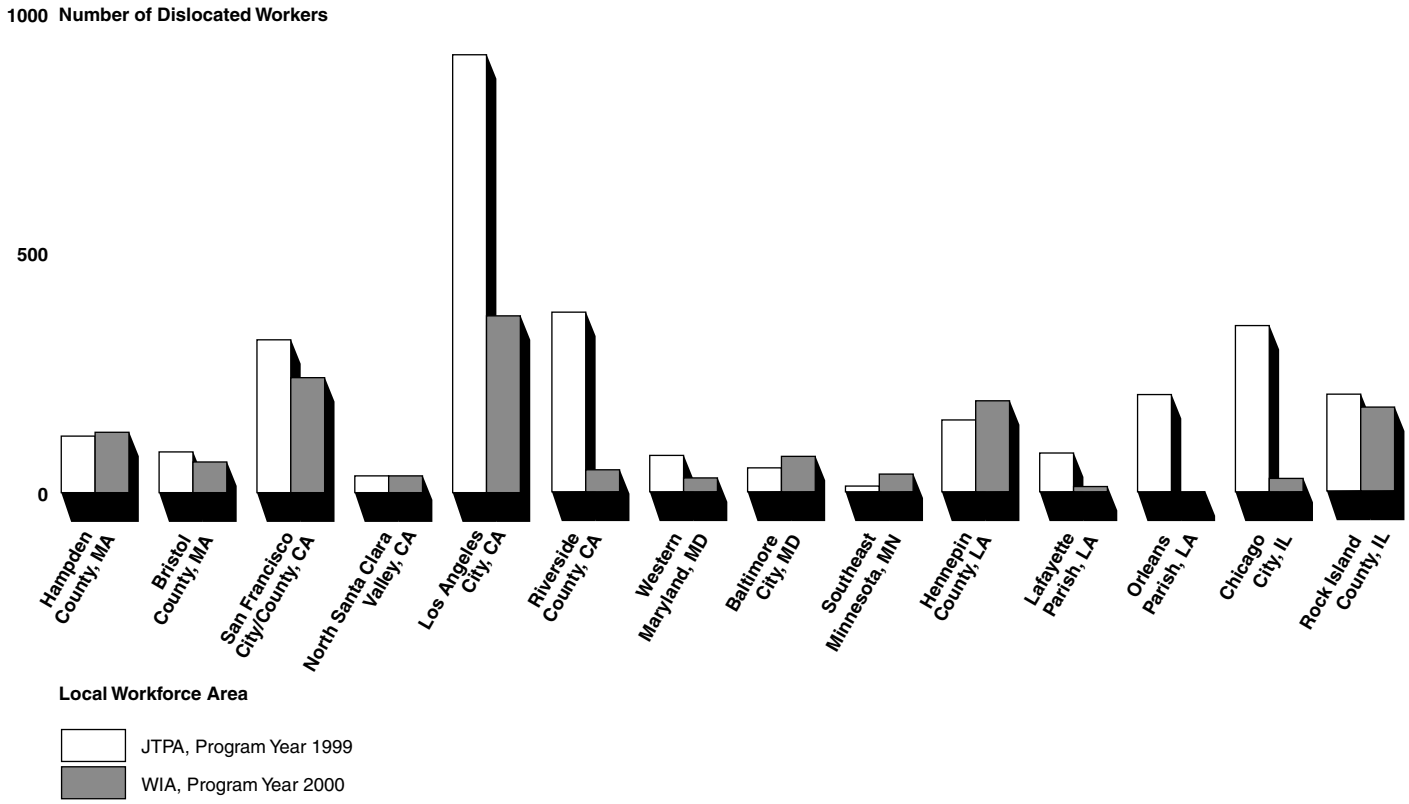

Officials from the local workforce areas that registered more dislocated workers under WIA than during the previous year under JTPA cited various reasons for the increase. For example, officials from two local workforce areas said that they had more dislocated worker funds available in program year 2000 and thus were able to provide services to more workers, while another official said that the local workforce area experienced several plant closings that resulted in more workers' needing assistance.

## In Some Local Workforce Areas, Fewer Dislocated Workers Received Training

Under WIA, the 14 local workforce areas that we visited enrolled 52 percent fewer dislocated workers in training than they had enrolled under JTPA. Collectively, about 1500 fewer dislocated workers were enrolled in training under WIA than were enrolled in training under JTPA (1,427 vs. 2,967). Of these areas, nine enrolled fewer dislocated workers and five

enrolled an equal or greater number of dislocated workers in training under WIA (see fig. 2).

**Figure 2: Number of Dislocated Workers Enrolled in Training at 14 Local Areas in Program Year 1999 under JTPA and in Program Year 2000 under WIA**




The decrease in the percentage of dislocated workers entering training is tied to local requirements that dislocated workers spend a certain amount of time receiving services or complete a certain number of tasks before being enrolled in training. Although the act requires individuals to receive sequential services, Labor has not imposed a required minimum period of participation in the core or intensive services, leaving this decision instead to the discretion of local workforce boards. Four local areas have set requirements for the amount of time or the number of tasks that a dislocated worker must complete at each level of service before he or she can move to the next level. Officials in three of these areas required dislocated workers to spend at least three weeks searching for a job and

documenting their attempts at finding employment. Officials in the fourth local area required dislocated workers to complete a certain number of tasks, such as documenting 12 unsuccessful job applications or five case management appointments, before moving to the next level of service.

The decrease in the percentage of dislocated workers being trained is also tied to the wages of the jobs they may be offered during the job search required before training. The receipt of future services—specifically, training—hinges on a dislocated worker's ability to find a job leading to self-sufficiency. Only those who are unable to find such a job can continue to training. Among the locations we visited, self-sufficiency was defined differently. Because the definition, within certain parameters, is left to the discretion of state or local workforce boards, the dislocated workers who are allowed to continue to training vary from area to area. For example, a local area in Maryland defined self-sufficiency as having a job that pays $8.50 per hour, while a local area in Louisiana had recently increased its self-sufficiency standard to having a job that pays $16.39 per hour. Three other local areas we visited had no set standard at all. The lower the standard, the harder it is for a worker to qualify for training, because it is easier for the worker to find a job meeting the criterion.

In three of the local areas that had an equal or greater number of dislocated workers enrolled in training under WIA than during the previous year under JTPA, officials said that the numbers being trained under WIA merely reflect the training needs of the dislocated workers in program year 2000. An official from a fourth local area said that more workers were enrolled in training in program year 2000 because local area officials had decided to limit the number of workers enrolled in training during the final year of JTPA. An official from the fifth local area said that the increased federal funds in program year 2000 allowed them to enroll more dislocated workers in training in that year

## Some Local Workforce Officials Expressed Confusion about Some Dislocated Worker Requirements under WIA

State and local workforce officials, uncertain as to the act's new requirements or how to interpret them in a manner consistent with that of Labor's Office of Inspector General, sought specific guidance from Labor to assist them in implementing the act. Several officials in the states and local workforce areas that we visited voiced a need for more guidance. They said that they felt uncertain about when individuals should be registered into the dislocated worker program, how to determine when training is an appropriate service strategy, and how to use rapid response funds to provide additional assistance to local workforce areas. For example, a rapid response official in the state of Maryland told us that he

would like additional guidance from Labor concerning the extent to which a state could use rapid response funds to provide additional assistance to local workforce areas experiencing layoffs. Labor's guidance, however, does not adequately address this issue. In addition, WIA created a new mindset for workforce development professionals and makes substantial changes in how dislocated workers receive services. Unlike the more prescriptive dislocated worker program under JTPA, state and local workforce officials must continually interpret WIA's requirements in order to meet the constantly changing needs of the workers and employers they serve. However, all local workforce officials were not prepared to meet this challenge. For example, Labor's February 2001 final interim report on the early state and local progress toward WIA implementation noted that state and local workforce officials would like to have more guidance on how to interpret the requirements of the act.[8]

Labor has provided guidance and technical assistance to aid state and local workforce officials in transitioning from JTPA to WIA ranging from training sessions conducted by headquarters and regional office staff to the dissemination of guidance concerning WIA's technical requirements. This guidance, in addition to information about best practices, is generally available via the Internet. According to some workforce officials, however, Labor's guidance has generally been too broad for them to use when implementing WIA's requirements[9] and the information available on the Internet is often outdated. According to Labor officials, the guidance that it has provided to state and local workforce officials on a range of WIA topics has been intentionally nonprescriptive to allow state and local workforce officials to use the flexibility that the act allows to design programs that will accomplish state and locally established goals.

Despite Labor's efforts to provide state and local workforce officials with program guidance, misunderstandings still exist concerning some of WIA's dislocated worker program requirements. In its March 2001 Status of WIA Readiness Implementation Report,[10] Labor found that some dislocated

[8] See U.S. Department of Labor, Employment and Training Administration, *A Report on Early State Progress Toward WIA Implementation: Final Interim Report* (Washington, D.C.: 2001).

[9] See U.S. General Accounting Office, *Workforce Investment Act: Better Guidance Needed to Address Concerns Over New Requirements*, GAO-02-72 (Washington, D.C.: October 4, 2001).

[10] See U.S. Department of Labor, Employment and Training Administration, Office of Field Operations, *Status of WIA Readiness Implementation Report* (Washington, D.C.: 2001).

worker program requirements were being interpreted incorrectly. In particular, the report, which was based on Labor's WIA Readiness Review of all states and 126 local workforce areas, identified the need for additional guidance in the areas of program eligibility and registration, the sequence of services, training, the eligible training provider list, and the consumer report system.

## WIA Flexibility Allowed States To Use Set-Aside Funds for Various Statewide Activities in Addition to Rapid Response

States used the flexibility under WIA to decide how much of their set-aside funds to spend on rapid response for dislocated workers and how much to spend on other statewide activities. All states provided some rapid response services, but there was variation in the amount of dislocated worker funds they obligated for rapid response and in the services they provided. Most states, however, have not changed the way they provide rapid response services since implementing WIA. During program year 2000, state set-aside obligations for rapid response averaged 12 percent and ranged from less than 1 percent to the maximum allowable 25 percent. When providing rapid response, most states responded primarily to layoffs and plant closings affecting at least 50 workers and provided, at a minimum, basic informational services for affected workers. Many states also offered other services such as group workshops on job search and used a portion of their rapid response funds to provide additional assistance to local areas experiencing an increase in unemployment. In addition, as allowed by the act, most states combined funds from the 15-percent dislocated worker set-aside with set-aside funds from the adult and youth programs to support a variety of statewide activities and programs. Some activities, such as disseminating a list of eligible training providers, are required by the act, while others, such as conducting research and demonstration projects, are optional.

### Rapid Response Funding and Services Varied among States

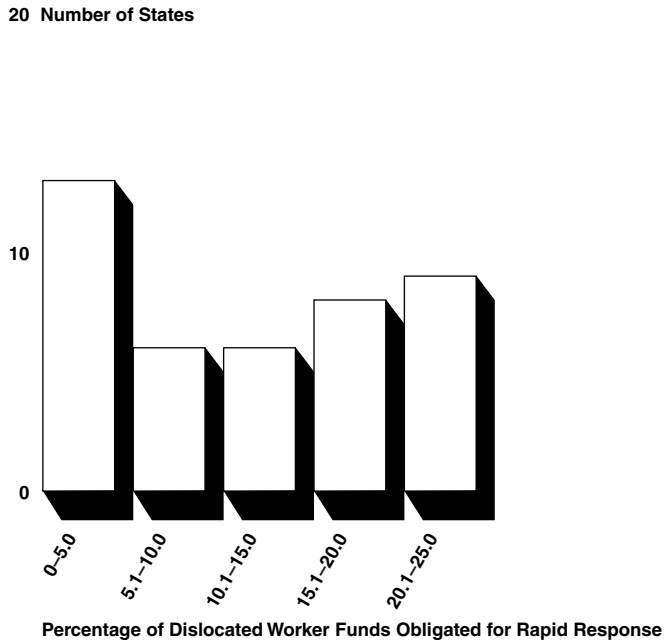
States differed in how much of their dislocated worker funds they used for rapid response during program year 2000 and what services they funded with this money. Nearly a third of the 42 states[11] that provided program year 2000 data in their survey responses said that they obligated 5 percent or less of their dislocated worker funds for rapid response activities.[12]

[11] Although 50 states responded to our survey, eight states could not separate program year 1999 carryover funds from program year 2000 funds in their reporting.

[12] Rapid response activities include specific rapid response services as well as additional assistance provided to local workforce areas.

Overall, the amount obligated for rapid response in the 42 states ranged from less than 1 percent in Hawaii and Wyoming to the maximum allowable 25 percent in Georgia and Rhode Island (see fig. 3). On average, these states obligated about 12 percent of their dislocated worker funds for rapid response activities. Appendix II shows each state's dislocated worker allotment and the amount obligated for rapid response activities.

**Figure 3: Program Year 2000 Dislocated Worker Funds Obligated for Rapid Response Activities in 42 States**



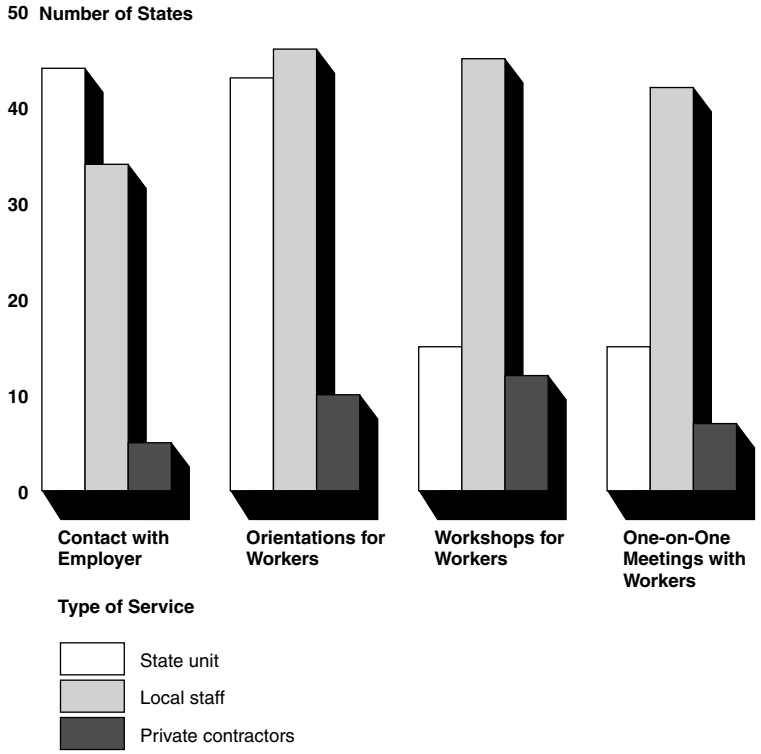

Any rapid response funds not used in program year 2000, up to the 25-percent ceiling, could be distributed to local areas[13] or carried over to the following program year to conduct rapid response activities. For example, Maryland reallocated to its local workforce areas $1 million of the $4.2 million it had set aside for rapid response activities, and Louisiana carried over into the next program year $5.1 million of the $6.1 million it had set aside for rapid response.

[13] Each state must allocate at least 60 percent of its dislocated worker funds to local workforce areas according to a formula established by the state.

Rapid response services almost always include the provision of basic information for workers being laid off, and in many states, additional services such as group workshops are available. Forty-five of the 50 states that responded to our survey had a rapid response unit consisting of state employees who delivered at least some direct services to the workers being laid off. Almost all of these state units contacted employers experiencing layoffs to explain available rapid response services and provided orientations for workers being laid off. State staff often delivered these services in conjunction with local area staff. In the six states that we visited, orientation sessions provided information to workers on topics such as UI benefits, services available at the local one-stop centers, and training opportunities. In many states, services in addition to orientation are also available to dislocated workers.[14] These services, including group workshops on topics such as job search and stress management and one-on-one meetings to discuss subjects such as financial planning, were provided usually by local area staff but sometimes in conjunction with the state unit or private contractors, such as unions (see fig. 4).

[14] These services are not provided by all local workforce areas within a state, nor are they necessarily provided for all layoffs and plant closings within a local workforce area.

**Figure 4: Providers of Various Rapid Response Services**




Rapid response units in some states were more involved in providing direct services after a layoff than were units in other states. For example, in Florida, the state rapid response unit provided a broader range of services than did the units of most other states. The Florida unit directly provided workshops and one-on-one meetings in addition to general informational services. In Maryland, as in many states, the state unit played a more limited role. The Maryland unit contacted employers experiencing layoffs and participated, along with staff from local one-stop centers, in orientations for the affected workers. Any services beyond the orientations, including workshops and one-on-one meetings at the work-sites, were provided exclusively by local staff. Louisiana had a state unit that met with employers and conducted orientations but provided no other direct services. To supplement the additional services provided by its local areas, Louisiana contracted with a private agency to provide workshops on topics such as résumé development and stress management for dislocated workers around the state. A state official explained that Louisiana hired this agency because some local areas that experience

significant layoffs infrequently lack the experience to provide effective rapid response services.

Five of the 50 states that responded to our survey delegated all responsibility for direct rapid response services to staff in the local workforce areas. For example, California had a state unit that informed local areas of impending layoffs but delivered no direct services. The state distributed a portion of its rapid response funds to the local areas to provide direct services. State officials believed that the state's size and diversity made local flexibility more feasible than a single, uniform approach. Another advantage, according to a local official, was that referrals of workers from rapid response units to one-stop centers were smoother because rapid response staff were also local area staff. While the state stressed local flexibility, it also encouraged coordination among local areas that share a labor market. Ten local areas in northern California were collaborating to standardize their rapid response services, provide services jointly, and possibly contract with a private agency for all rapid response. New York was another state where local workforce area staff were generally responsible for delivering rapid response services. Unlike California, however, New York did not provide the local workforce areas with funding for these services. New York also had a $1 million contract with representatives of organized labor to provide rapid response assistance when their union members were affected by a layoff.

Most states provided rapid response primarily for larger layoffs and plant closings affecting 50 or more workers. Responding to layoffs of 50 or more workers appears to be related to the Worker Adjustment and Retraining Notification (WARN) Act of 1988, which requires companies with 100 or more full-time employees to notify state dislocated-worker staff of layoffs and plant closures generally affecting 50 or more full-time workers. Of the 45 states using state staff to provide rapid response services, staff in 37 states generally provided rapid response services for layoffs affecting 50 or more workers, which, on average, represented 75 percent of the layoffs to which each state unit responded during program year 2000. Workers affected by dislocation events that are too small to trigger state unit involvement may nonetheless receive local rapid response services. In fact, almost all of the states that had a trigger for state rapid response said that local staff in their states may have provided rapid response services for layoffs and plant closings that were too small to trigger rapid response by the state unit.

Illinois and Massachusetts illustrate different approaches to the use of a trigger for state unit response. Illinois obligated about $2.4 million for

rapid response and had a unit of state employees that was responsible for rapid response services statewide. These employees provided direct services for all layoffs and closures affecting 50 or more workers and responded to 170 such events during program year 2000.[15] Some local workforce areas provided rapid response services for dislocation events affecting fewer than 50 workers, but the state did not require them to serve these smaller events and did not distribute any rapid response funds to them for this purpose. On the other hand, Massachusetts obligated about $1.2 million for rapid response and had a unit of state employees that attempted to provide rapid response for all layoffs regardless of size. During program year 2000, the unit responded to 158 events affecting 50 or more workers and 149 events affecting fewer than 50 workers.

In addition to providing direct rapid response services to workers affected by a layoff or plant closing, 32 states said that they used a portion of their rapid response set-aside funds to provide additional assistance to local areas that experienced an increase in unemployment owing to plant closings or mass layoffs. In the states for which data were available, more than half of the $129.6 million that these states set aside for rapid response was used to provide additional assistance to local workforce areas (see app. II). Of the 32 states responding that provided additional assistance, 15 states said that they provided additional assistance to local areas only to help them address specific layoffs and required that local areas spend the funds exclusively on workers affected by those layoffs. For example, Maryland provided $250,000 in additional assistance to one local workforce area that intended to provide training to a small number of workers laid off from a bottled water plant, and Louisiana provided $72,531 in additional assistance to a local workforce area to set up a worker transition center at a clothing plant that was closing. Another eight states said that they provided additional assistance to local areas that experienced a general rise in unemployment and did not tie the use of the funds to specific layoffs. For example, California provided $3 million in additional assistance to a local workforce area to provide comprehensive services for its dislocated workers in a region with high job turnover. Nine other states said that they awarded funds for both rapid response and additional assistance during program year 2000.

[15] Although states may have a policy for responding to specific layoffs, situations may occur that prevent states from providing rapid response services, such as an employer's not notifying the state unit that a layoff is going to occur or an employer's not allowing the state unit on-site to provide services.

Thirty of the 50 states responding to our survey have not changed the way they provide rapid response since implementing WIA. The remaining 20 states reported making changes in the way they provide rapid response as a result of WIA, but few of these changes were significant and none were required by the act or the regulations. The more significant changes involved giving the state unit greater responsibility for direct services or developing new programs to distribute set-aside funds to local workforce areas. For example, Washington state and Kansas assigned state staff to each local workforce area to coordinate and deliver rapid response services. Also, Indiana developed a program to quickly distribute additional funds within one or two days to local workforce areas experiencing mass layoffs to help them provide rapid response services. Other changes included increasing coordination between the state rapid response unit and other workforce partners, changing the focus of orientations from training benefits to available job search services, and shifting state units from one state department to another. (See table 1.)

**Table 1: Changes in Rapid Response under WIA for 20 States**

| Type of change | Number of states[a] |
|---|---|
| State unit assumed more active role | 4 |
| New program to distribute funds to local areas | 4 |
| Greater coordination with other workforce partners | 4 |
| Information provided in orientations changed | 3 |
| State unit moved to another department | 4 |
| Other | 3 |

[a]The total does not add to 20 because some states made more than one change in their rapid response program.

## States Used Set-Aside Funds to Support a Wide Range of Services and Various Programs

During program year 2000, most states took advantage of the flexibility under WIA and combined dislocated worker set-aside funds with set-aside funds from the adult and youth programs to support a variety of statewide activities. Some activities, such as developing or operating a statewide management information system, benefited dislocated workers along with other types of workers such as adults and youths; other activities, such as career training for at-risk youths, benefited a specific segment of the population who were not dislocated workers.

During program year 2000, states used their set-aside funds for statewide activities for various purposes. Under WIA, states can set aside up to 15 percent of their dislocated worker allotment to support some required statewide workforce investment activities. These activities include providing additional assistance to local areas that have high

concentrations of eligible youths, assisting in the establishment and operation of one-stop center systems, disseminating a list of eligible providers of training services, and operating a management information system. In addition, the act allows states to use the funds for other allowable activities such as state administration, research and demonstration projects, and innovative incumbent worker training programs (i.e., programs to improve the skills of employed workers). Of the 50 states responding to our survey, 43 said that they combined set-aside funds for statewide activities from the dislocated worker allotment with similar funds from the adult and youth programs. Appendix III lists each state's allotment for their adult, youth, and dislocated worker programs and identifies the maximum amount of funds that could be set aside to support statewide activities. As allowed by the act, these states combined the funds and used them for a variety of purposes. For example, 41 states reported that they spent, on average, 25.7 percent of the combined set-aside funds on carrying out general state-level administrative activities, while 37 states reported spending, on average, 14.8 percent on assisting the establishment and operation of one-stop centers (see table 2).

**Table 2: Activities Funded by 43 States That Combined Their Adult, Youth, and Dislocated Worker Set-Aside Funds for Statewide Activities in Program Year 2000**

| Activities | Number of states directly funding activity[a] | Average percentage of set-aside funds spent on activity[b] |
|---|---|---|
| **Required activities** | | |
| Assist in the establishment or operation of one-stop delivery systems | 37 | 14.8 |
| Operate fiscal and management accountability information systems | 37 | 13.4 |
| Provide incentive grants to local areas | 26 | 10.0 |
| Provide technical assistance to local areas | 31 | 6.7 |
| Conduct evaluations of programs or activities | 33 | 6.0 |
| Provide additional assistance for local areas with a high concentration of eligible youths | 24 | 6.0 |
| Disseminate state list of training providers | 32 | 3.2 |
| **Other allowable activities** | | |
| Carry out general state-level administrative activities | 41 | 25.7 |
| Implement incumbent worker training | 17 | 13.2 |
| Conduct research and demonstration projects | 14 | 8.9 |
| Implement programs for displaced homemakers | 6 | 6.0 |
| Provide capacity building to local areas through training of staff and development of exemplary program activities | 33 | 5.4 |
| Implement training programs for nontraditional employment positions | 6 | 5.0 |
| Implement programs targeted to empowerment zones and enterprise communities | 5 | 4.0 |
| Provide support for the identification of eligible training providers | 19 | 2.4 |
| **Other** | 30 | 20.9 |

[a]This column includes only states that identified a specific percentage of funds for an activity. It does not include instances when states responded that an activity may have been supported by funds associated with a different activity and were unable to specify a specific percentage.

[b]For states that reported directly funding an activity with set-aside funds, we computed an average percentage of funds.

Several states are using the flexibility that WIA provides by spending the majority of their combined set-aside funds on a single activity. For example, Virginia spent over half of its $5.8 million combined set-aside

funds to operate a fiscal and management accountability information system. Missouri used over half of its $6.7 million combined set-aside funds to assist in the establishment and operation of one-stop centers. Iowa used nearly two-thirds of approximately $900,000 of its combined set-aside funds to carry out general state-level administrative activities. Appendix IV shows the percentage of combined set-aside funds that the 43 states dedicated to each activity listed in table 2.

In addition to funding the required and optional activities identified in the act, 30 states funded other activities. Many of these activities were directed to programs that benefit a specific group. For example, Arizona used about 4 percent of its $6.6 million combined set-aside funds for older worker training and support, Kentucky used about 19 percent of its $6.4 million combined set-aside funds for statewide youth programs, and Montana used about 5 percent of its $2.2 million combined set-aside funds for adult literacy and education.

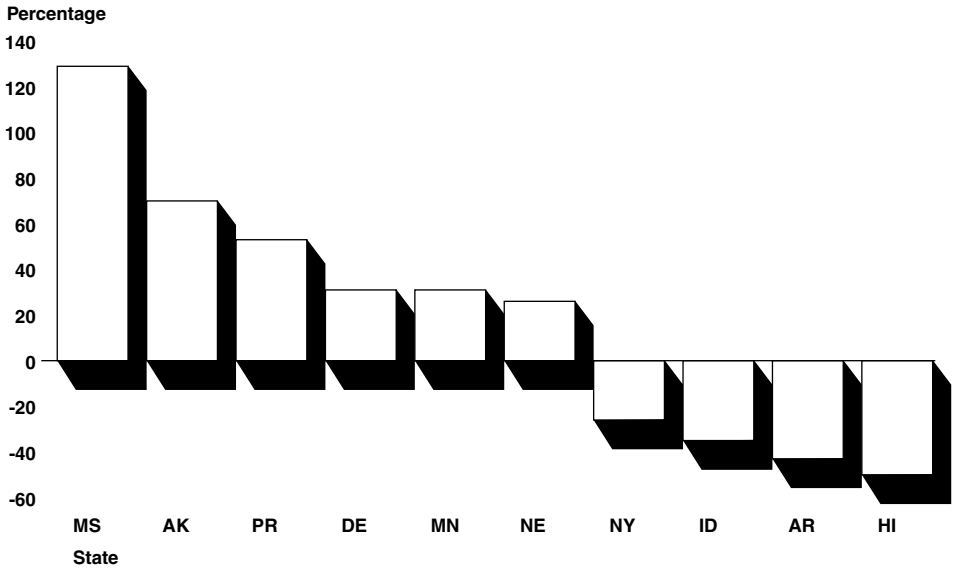
Several of the states that we visited used the flexibility provided by the act to fund projects that the states determined were most in need of additional funding. In many instances, these projects were targeted to specific groups. For example, of its $63 million combined set-aside, California spent $6 million on a project to train veterans, $15 million on a project to train caregivers who work with the aging and disabled population, and $20 million to provide job training to targeted groups including at-risk pregnant teens, homeless individuals, noncustodial parents, and farm workers. Similarly, Illinois spent $1.3 million of its $13 million set-aside to help individuals obtain their high school general equivalency diploma over the Internet; Louisiana spent $1.5 million of its $10 million set-aside on services for UI claimants who were projected to exhaust their UI benefits (the projection is known as UI profiling); Maryland spent $330,000 of its $6 million set-aside to train at-risk youths for a career in the merchant marine service.

## Funding Formula Is Problematic

The dislocated worker funding formula distributes funds that vary dramatically from year to year and that do not recognize fluctuations in state dislocated worker populations. State and local officials said that the volatility in the allotment of formula funds could limit the ability of some states to provide basic program services to dislocated workers. Without stable funding levels that are tied to the number of dislocated workers, states are unable to conduct the meaningful long- or short-term financial planning that is necessary to develop and deliver high-quality services for dislocated workers. Information obtained from Labor on state allotments

between program years 1997 and 2001 also raises concerns about the performance of the current funding formula (see app. V for a detailed listing of the dislocated workers funding formula allotments by state). Many states have experienced very substantial changes in funding from one year to the next over this time period. For example, Mississippi's funding for program year 2001, increased nearly 130 percent over that for program year 2000 (from $13.4 million to $30.7 million), while Arkansas's funding dropped by more than 40 percent (from $12.4 million to $7.1 million). Figure 5 displays the ten states with the largest percentage changes in dislocated worker funding allotments between program years 2000 and 2001. Such changes, which do not seem to be in proportion to the number of dislocated workers in a state, appear to corroborate concerns raised by state officials regarding the volatility of the current formula.

**Figure 5: Ten States with the Largest Percentage Change in Dislocated Worker Allotments from Program Year 2000 to Program Year 2001**

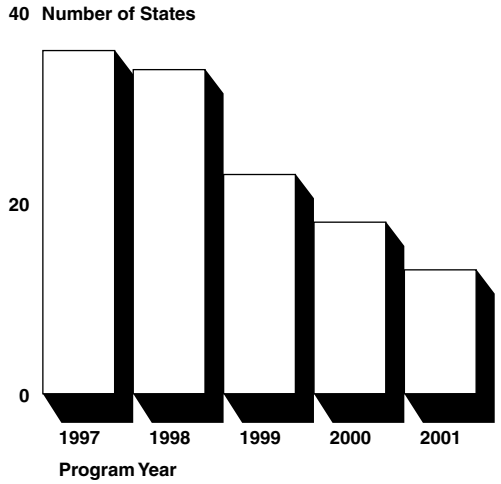



The dislocated worker funding formula consists of three factors, each of which determines one-third of the allotment given to a state. None of the three factors is directly related to the dislocation activity in a state. Two parts of this funding formula, however, contribute to the fluctuations in state funding of the dislocated worker program. An analysis of the funding formula reveals the primary cause of funding fluctuations to be the result of the parts of the formula that incorporate the number of excess

unemployed (exceeding 4.5 percent of the total labor force) and the number of long-term unemployed.

The number of excess unemployed displayed an extremely high degree of volatility during the 1997 2001 time period. For example, in program year 1997, 36 states had unemployment rates above 4.5 percent and therefore qualified for funding under this part of the formula. By program year 2001, only 13 states continued to receive funding under this part of the formula. Thus, as economic conditions improve, the number of states receiving funding under this part of the formula decreases (see fig. 6).

**Figure 6: Number of States That Received Dislocated Worker Allotments Based on Excess Unemployment in Program Years 1997 through 2001**

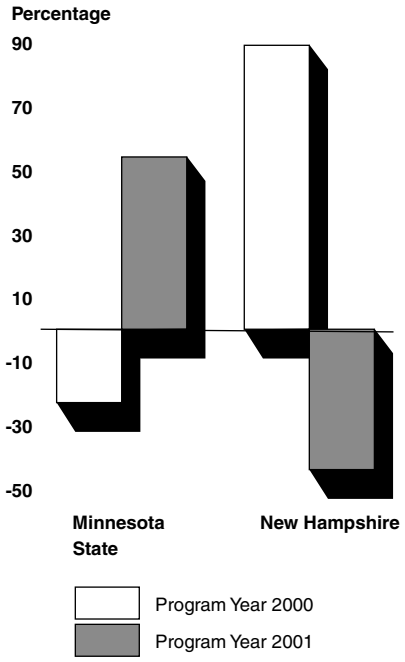



The decline in the number of states that received funding under this part of the formula, in combination with increased funding during this period, resulted in more funding for states that received funds under this part of the formula; states falling below the 4.5 percent threshold saw their allotments reduced substantially. In program year 1997, $345 million was allotted among 36 states, for an average of $9.5 million per state. By program year 2001, $424 million was allotted to 13 states, resulting in an average allotment of $32.6 million per state. The nearly 130 percent increase in funding between program years 2000 and 2001, reported for Mississippi in figure 5, was largely the result of a two-thirds reduction in the number of states that received funding under this criterion.

This volatility in funding will likely persist as unemployment rates rise in response to the current economic slowdown. Rising unemployment in the future means that more states will again qualify for funding based on the excess unemployment criterion and that even as their own unemployment increases, the 13 states will likely experience substantial funding losses as more states become eligible for funding based on this criterion.

In addition to the number of excess unemployed, the number of long-term unemployed also contributed to the fluctuations in program funding for individual states. For example, the allotments for long-term unemployed in Minnesota declined by more than 20 percent in program year 2000 and increased by more than 50 percent the following year. In New Hampshire, the pattern was the opposite: an increase of more than 85 percent was followed by a decline of nearly 45 percent (see fig. 7). The funding fluctuation introduced by the number of long-term unemployed is particularly problematic in that the number of long-term unemployed is not necessarily indicative of the number of dislocated workers in a state, because individuals can be unemployed for 15 weeks or more and not have been laid off. Furthermore, the long-term unemployed are no longer included under the definition of a dislocated worker and are therefore not automatically eligible for the dislocated worker program.

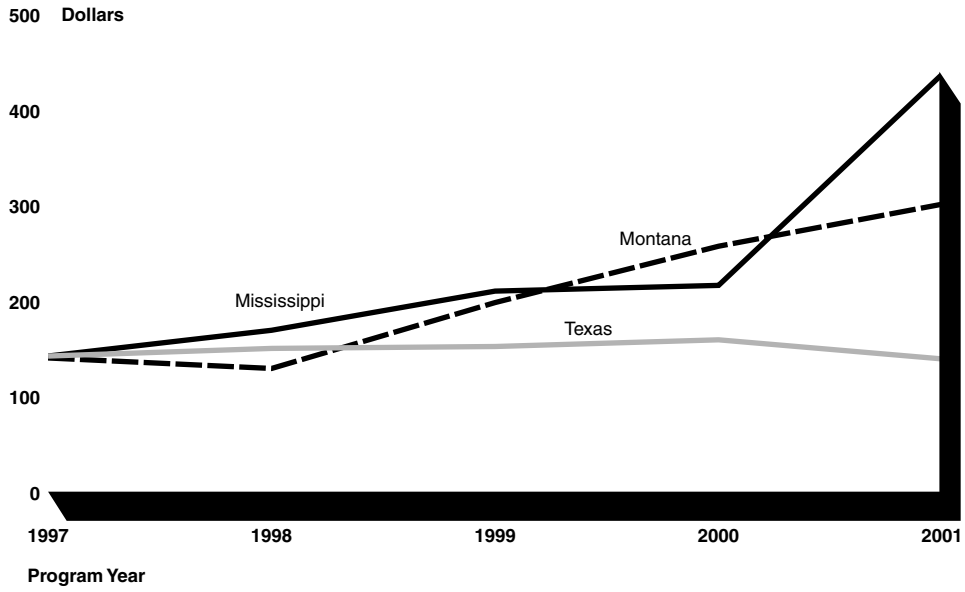
**Figure 7: Two States with the Largest Percentage Change in Long-Term Unemployment Allotments for Program Years 2000 and 2001**




The high degree of volatility in formula allotments has resulted in increasingly wide disparities in funding across states. In program year 1997, both Texas and Mississippi received the same funding per unemployed resident. However, because Texas became ineligible for funding based on excess unemployment in 2001, its funding per unemployed resident dropped slightly, while Mississippi (one of the thirteen states still eligible) saw its funding jump more than three-fold.[16] As shown in figure 8, the program year 2001 funding per unemployed individual in Mississippi was three times higher than in Texas, even though in program year 1997, the funding per unemployed individual was nearly identical. (See table 11 in app. V for a complete listing of each state's funding per unemployed resident for program years 1997 through 2001.)

[16] Because the number of total unemployed includes many who are not eligible for many of the services provided under the dislocated workers program, we also compared, using Labor data, Texas's and Mississippi's funding per unemployed worker. We found even larger funding disparities based on this indicator of program need. For example, in 2001, Mississippi's funding was more than 4 times that of Texas.

**Figure 8: Five-Year Dislocated Worker Allotments per Unemployed Resident for Three States with Similar Program Year 1997 Allotments**




When the Congress passed WIA in 1998, it mandated that the secretary of Labor undertake a study to improve the formula for the adult program. This mandate includes the study of the formula used to allot adult program funds to the states and of the formula used to allocate these funds within the states. The study has been completed but has not yet been released. The mandate did not address the formula for allocating dislocated worker program funds.

## Conclusions

WIA was passed with the intention of providing greater flexibility to states and local workforce areas, but more detailed guidance could enable local workforce areas to better use the act's flexibility. Clearly, WIA intends to provide state and local areas with the flexibility to design programs that meet the specific needs of dislocated workers in their areas. Given the early stage of implementation, it is not surprising that some state and local officials remain confused about how to put into practice some of the act's new requirements, such as when to register individuals in the dislocated worker program. Although Labor has provided broad guidance and technical assistance to aid the transition from JTPA to WIA, some workforce officials have stated that the guidance does not address specific

implementation concerns. Efforts to design flexible programs that meet local needs could be enhanced if Labor addressed the concerns of workforce officials with specific guidance regarding the act's implementation and disseminated information on best practices in a timely manner.

Some states have trouble meeting the needs of their dislocated workers, because the amount of dislocated worker funds they receive varies dramatically from year to year and is not directly related to the states' dislocated worker populations. The fluctuation in funding is caused by a three-part funding formula that incorporates factors that are no longer relevant to the dislocated worker program, that are highly volatile from year to year, and that do not reflect the number of dislocated workers in a state. A dislocated worker formula that incorporates factors more accurately approximating a state's dislocated worker population would provide states with a more relevant level of funding for services to their dislocated workers.

## Recommendation for Executive Action

We recommend that the secretary of Labor provide local workforce areas with additional guidance on implementation issues and information on best practices to facilitate implementation of the dislocated worker program under WIA and to assist local workforce officials in using the greater flexibility afforded by the act to design programs and services. Such guidance would help the local areas further define their policies and procedures to meet the needs of their dislocated workers. We also recommend that the secretary identify strategies for disseminating this information in a timely manner. In particular, Labor should

- proactively identify areas that emerge as requiring additional guidance to help state and local areas implement the dislocated worker program;
- disseminate guidance that is more responsive to the concerns of workforce officials responsible for implementing the act's requirements, including when to register individuals into the dislocated worker program and how to provide additional assistance to local areas using rapid response funds; and
- disseminate timely information on best practices being developed by local areas to meet the needs of their dislocated workers.

## Matter for Congressional Consideration

We suggest that the Congress consider modifying the existing dislocated worker funding formula to minimize funding volatility and to ensure that dislocated worker funds are better distributed to states in relation to their dislocated worker population. The Congress may wish to direct Labor to undertake a study of the dislocated worker funding formula to identify factors that would enable better distribution of program funds to states in relation to their dislocated worker population.

## Agency Comments

We provided a draft of this report to Labor for review and comment. Labor noted that the report provided an informative review of how states have responded to the challenges presented by the implementation of WIA. Labor generally agreed with our recommendations and identified steps that it is taking to address them. Labor commented that the report provided the agency's first opportunity to review many of the issues regarding the use of state set-aside funds for rapid response and other statewide activities and said that analysis of this data will be used to determine areas requiring more technical assistance and guidance. Labor also provided technical comments that we incorporated where appropriate. Labor's entire comments are reproduced in appendix VI.

Regarding our recommendation that Labor proactively identify areas requiring additional guidance, Labor generally agreed, pointing out that it had organized four WIA readiness workgroups consisting of local, state, and federal representatives that had identified several potential areas for additional federal guidance. However, Labor said that it did not want to interfere with the flexibility that WIA provides to states and localities. We acknowledge Labor's efforts and encourage Labor to continue to monitor emerging issues by facilitating discussions between local, state, and federal officials on an ongoing basis.

Regarding our recommendation that Labor disseminate more guidance on issues such as point of registration and use of rapid response funds for additional assistance, Labor agreed, saying that it plans to issue additional guidance on establishing the point of registration and believes that a common point of registration is an integral component of a nationwide system of performance accountability. Labor also recognizes that registration guidance cannot be developed in isolation and must reflect the complexities of WIA's performance accountability system. Regarding the issue of guidance on the use of rapid response funds for additional assistance, Labor said that a lack of guidance on this subject was not identified previously in its implementation assessments or the workgroups'. Labor noted that the information in our report would allow

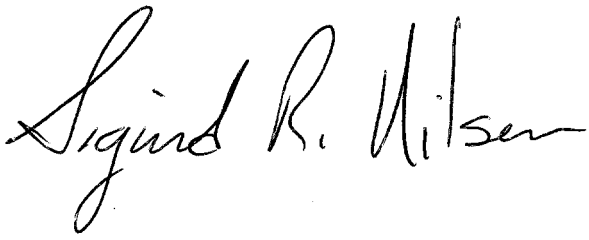
further exploration of this issue and a determination of whether federal guidance is necessary on this topic. We concur with Labor's assessment and agree that such guidance should be developed with input from those officials responsible for implementing WIA at the local level and should be consistent with the accountability system established under WIA.

Regarding our recommendation that Labor disseminate timely information on best practices, the agency stated that it has a contract with the state of Illinois to develop a Web site to display promising practices. We applaud Labor's efforts in this regard, agreeing that a Web site is an excellent vehicle for providing information to a wide audience. We strongly encourage Labor to monitor the site's implementation to ensure that the information posted to the Web site is kept current.

Finally, regarding our suggestion that the Congress consider modifying the dislocated worker funding formula, Labor replied that it has been aware of the severe funding fluctuations and the difficulties such fluctuations present to states. It believes that resource allocation practices should ensure that funds are distributed in a manner that puts resources where they are most needed, and it acknowledged that because worker dislocations take place after formula funds are allocated, available resources do not always match need. Labor noted that it has initiated a review of the WIA dislocated worker funding formula. While we support Labor's efforts to review this formula, we believe that it is imperative that such an initiative be congressionally mandated.

We are sending copies of this report to the Honorable Elaine L. Chao, secretary of Labor; relevant congressional committees; and others who are interested. Copies will be made available to others upon request.

Please contact me on (202) 512-7215 if you or your staff have any questions about this report. Other GAO contacts and staff acknowledgments are listed in appendix VII.



Sigurd R. Nilsen
Director, Education, Workforce,
and Income Security

# Appendix I: Objectives, Scope, and Methodology

We were asked to determine (1) how the implementation of WIA has affected the services provided to dislocated workers at the local level, (2) how funds set aside for rapid response and other statewide activities are used to assist dislocated workers under WIA, and (3) whether the distribution of dislocated worker funds is appropriately targeted to states in relation to their dislocated worker population. To determine how services are provided to dislocated workers, we visited 14 local workforce areas located in 6 states and distributed surveys to all 50 states, the District of Columbia, and Puerto Rico concerning the use of state set-aside funds for rapid response activities and for other statewide activities. We also interviewed officials from the U.S. Department of Labor (Labor), the National Alliance of Business, the National Governor's Association, and the National Association of Workforce Boards.

## Site Visits

In selecting which states to visit, we categorized them according to the size of each state's allotment for program year 2000, the number of mass layoff events during the previous year, and the number of workers affected by those events. We used three categories for the size of the dislocated worker allotment: large—more than $50 million; medium—$15 million to $50 million; and small—less than $15 million. Similarly, we used three categories for layoff activity: large— more than 200 mass layoff events or more than 30,000 workers laid off; medium—75 to 200 mass layoff events or 10,000 to 30,000 workers laid off; and small—fewer than 75 mass layoff events or fewer than 10,000 workers laid off. We obtained the funding information from Labor's Employment and Training Administration and the mass layoff data from the U.S. Bureau of Labor Statistics. We then chose states from the different groups to provide variety in terms of funding size, dislocation activity, and location (see table 3).

**Table 3: Dislocated Worker Funding and Dislocation Activity for Selected States**

| State | DOL region | Program year 2000 allotment | Number of dislocation events[a] | Number of affected workers[a] |
|---|---|---|---|---|
| California | 6 | $297,723,349 | 618 | 130,798 |
| Illinois | 5 | 38,725,943 | 353 | 86,315 |
| Louisiana | 4 | 24,339,414 | 37 | 5,549 |
| Maryland | 2 | 16,806,330 | 13 | 1,977 |
| Massachusetts | 1 | 13,588,888 | 119 | 27,908 |
| Minnesota | 5 | 8,023,090 | 117 | 23,326 |

Legend: DOL = Department of Labor.

[a]Dislocation events and separations are for the second quarter of 1999 to the third quarter of 2000 or the equivalent time period for program year 1999.

Within each state, we picked two local workforce areas, except in California where we picked four areas. We judgmentally selected these workforce areas to provide a range funding sizes and types of areas—specifically, urban versus rural (see table 4 for a list of the selected local workforce areas).

**Table 4: Local Workforce Areas Selected for Visits**

| State | Local workforce area | City | Program year 2000 dislocated worker allocation |
|---|---|---|---|
| California | Los Angeles City | Los Angeles | $24,985,890 |
| | North Santa Clara Valley Job Training Consortium (NOVA) | Sunnyvale | 1,205,672 |
| | Riverside County | Riverside | 7,247,483 |
| | San Francisco City/County Consortium | San Francisco | 2,369,840 |
| Illinois | City of Chicago LWA#9 | Chicago | 6,030,064 |
| | Rock Island County LWA#13 | Rock Island | 572,949 |
| Louisiana | Lafayette Parish #41 | Lafayette | 473,855 |
| | Orleans Parish #12 | New Orleans | 2,128,962 |
| Maryland | Baltimore City | Baltimore | 2,227,582 |
| | Western Maryland | Hagerstown | 731,484 |
| Massachusetts | Bristol | Fall River | 689,772 |
| | Hampden | Springfield | 642,483 |
| Minnesota | Hennepin/Scott/Carver | Minneapolis | 598,205 |
| | Southeast | Rochester | 362,989 |

At each of these locations, we interviewed officials representing the local workforce area and local workforce board and we toured one or more one-stop centers. In some of the locations, we also attended orientation meetings and met with one-stop center staff.

## Surveys

We distributed two surveys to the 50 states, the District of Columbia, and Puerto Rico. One survey was designed to obtain information on how states used their set-aside funds for other statewide activities, and the other was designed to obtain information on how states used their set-aside funds for rapid response. We sent the survey on other statewide activities to the 52 state agencies responsible for WIA implementation and sent the survey on rapid response to the 52 state units responsible for rapid response activities. As of September 27, 2001, we had received 50 responses (96 percent) for the survey on statewide activities and 50 responses (96 percent) to the survey on rapid response. Ohio and Pennsylvania did not respond to the survey on other statewide activities, and Maine and New Hampshire did not respond to the survey on rapid response.

# Appendix II: Use of Dislocated Worker Funds for Rapid Response in 42 States

Fifty states responded to our survey on states' rapid response programs. Of the 50 respondents, 42 provided program year 2000 financial data that do not include program year 1999 carryover funds. Table 5 shows, for each of these 42 states, the total amount of dislocated worker funds set aside for rapid response activities. Funds obligated for rapid response activities are further broken down into two categories of obligations: rapid response services and additional assistance to local areas.

**Table 5: Program Year 2000 Dislocated Worker Allotment and Rapid Response Set-Aside Funds in 42 States**

| State | Program year 2000 dislocated worker allotment | Total obligations for rapid response activities | Obligations for rapid response services | Obligations for additional assistance to local areas |
|---|---|---|---|---|
| Alabama | $12,337,794 | $3,040,000 | $300,000 | $2,740,000 |
| Arkansas | 12,375,366 | 1,317,187 | 1,317,187 | 0 |
| California | 297,723,349 | 52,800,000 | 29,500,000 | 23,300,000 |
| Colorado | 8,967,371 | 511,000 | 511,000 | 0 |
| Connecticut | 8,480,789 | 1,816,948 | 1,816,948 | 0 |
| Delaware | 1,664,457 | 20,000 | 20,000 | 0 |
| District of Columbia | 10,174,200 | 149,664 | 149,664 | 0 |
| Florida | 41,053,379 | 8,246,621 | 1,956,686 | 6,289,935 |
| Georgia | 21,970,886 | 5,492,721 | 2,778,257 | 2,714,464 |
| Hawaii | 12,921,697 | 96,913 | 96,913 | 0 |
| Illinois | 38,725,943 | 8,670,303 | 2,424,796 | 6,245,507 |
| Indiana | 10,502,473 | 2,549,700 | 796,100 | 1,753,600 |
| Iowa | 4,984,236 | 198,995 | 173,820 | 25,175 |
| Kansas | 5,772,856 | 614,286 | 345,746 | 268,540 |
| Kentucky | 11,423,295 | 2,750,564 | 250,564 | 2,500,000 |
| Louisiana | 24,339,414 | 983,791 | 949,711 | 34,080 |
| Maryland | 16,806,330 | 1,350,000 | 580,000 | 770,000 |
| Massachusetts | 13,588,888 | 2,400,000 | 1,200,000 | 1,200,000 |
| Michigan | 22,130,803 | 1,821,710 | 520,000 | 1,301,710 |
| Mississippi | 13,390,794 | 2,008,619 | 2,008,619 | 0 |
| Nebraska | 2,388,261 | 425,166 | 90,000 | 335,166 |
| Nevada | 5,076,189 | 194,595 | 194,595 | 0 |
| New Jersey | 30,833,430 | 5,530,641 | 5,530,641 | 0 |
| New Mexico | 20,907,033 | 873,756 | 873,756 | 0 |
| New York | 142,360,726 | 5,775,996 | 5,775,996 | 0 |
| North Carolina | 16,906,622 | 730,000 | 360,000 | 370,000 |
| North Dakota | 1,421,909 | 200,000 | 200,000 | 0 |
| Ohio | 30,844,022 | 4,721,000 | 1,645,000 | 3,076,000 |
| Oregon | 30,420,464 | 1,489,544 | 589,544 | 900,000 |
| Pennsylvania | 38,179,716 | 5,220,309 | 2,000,000 | 3,220,309 |
| Puerto Rico | 108,278,443 | 1,856,854 | 856,854 | 1,000,000 |
| Rhode Island | 2,924,830 | 731,208 | 731,208 | 0 |

| State | Program year 2000 dislocated worker allotment | Total obligations for rapid response activities | Obligations for rapid response services | Obligations for additional assistance to local areas |
|---|---|---|---|---|
| South Carolina | 9,726,336 | 1,163,845 | 1,113,845 | 50,000 |
| South Dakota | 1,477,871 | 44,721 | 44,721 | 0 |
| Tennessee | 14,194,628 | 3,459,711 | 738,046 | 2,721,665 |
| Texas | 74,756,662 | 11,760,858 | 8,211,858 | 3,549,000 |
| Utah | 4,343,544 | 828,513 | 340,515 | 487,998 |
| Vermont | 1,220,468 | 84,398 | 84,398 | 0 |
| Virginia | 12,359,788 | 853,186 | 453,186 | 400,000 |
| Washington | 28,220,707 | 2,000,000 | 1,100,000 | 900,000 |
| West Virginia | 23,364,426 | 4,200,000 | 1,200,000 | 3,000,000 |
| Wyoming | 1,921,722 | 5,215 | 5,215 | 0 |

# Appendix III: Combined Set-Aside Funds Available for Statewide Activities in 52 States

The Workforce Investment Act (WIA) permits states to set aside up to 15 percent of the allotments for their adult, dislocated worker, and youth programs. In addition, the act allows the states to combine these funds to support a variety of statewide activities. Table 6 lists, for all 50 states, the District of Columbia, and Puerto Rico, the program year 2000 WIA adult, dislocated worker, and youth allotments and the maximum allowable combined set-aside for statewide activities.

**Table 6: Program Year 2000 WIA Allotments and Maximum 15 Percent Combined Set-Aside for Statewide Activities for 52 States**

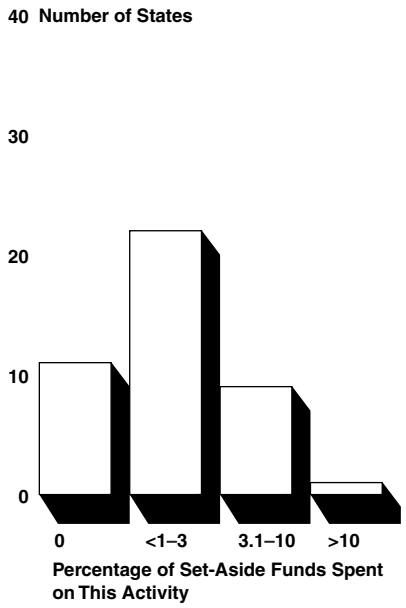
| | Program Year 2000 WIA Allotments | | | |
|---|---|---|---|---|
| State | Adults | Dislocated workers | Youth | Maximum 15 percent combined set-aside for statewide activities |
| Alabama | $13,600,837 | $12,337,794 | $14,066,303 | $6,000,740 |
| Alaska | 3,089,722 | 6,719,943 | 3,215,719 | 1,953,808 |
| Arizona | 15,648,932 | 11,542,782 | 16,578,123 | 6,565,476 |
| Arkansas | 10,068,804 | 12,375,366 | 10,429,385 | 4,931,033 |
| California | 160,743,770 | 297,723,349 | 171,424,027 | 94,483,672 |
| Colorado | 6,409,369 | 8,967,371 | 6,550,692 | 3,289,115 |
| Connecticut | 7,486,306 | 8,480,789 | 7,700,441 | 3,550,130 |
| Delaware | 2,369,063 | 1,664,457 | 2,457,058 | 973,587 |
| District of Columbia | 4,412,566 | 10,174,200 | 4,528,781 | 2,867,332 |
| Florida | 39,256,368 | 41,053,379 | 39,070,163 | 17,906,987 |
| Georgia | 19,518,990 | 21,970,886 | 20,496,219 | 9,297,914 |
| Hawaii | 6,049,854 | 12,921,697 | 6,045,743 | 3,752,594 |
| Idaho | 3,872,663 | 6,033,643 | 4,095,248 | 2,100,233 |
| Illinois | 38,399,632 | 38,725,943 | 40,030,985 | 17,573,484 |
| Indiana | 10,557,597 | 10,502,473 | 11,014,284 | 4,811,153 |
| Iowa | 3,209,170 | 4,984,236 | 3,259,920 | 1,717,999 |
| Kansas | 3,434,681 | 5,772,856 | 3,440,280 | 1,897,173 |
| Kentucky | 15,516,224 | 11,423,295 | 15,511,193 | 6,367,607 |
| Louisiana | 20,662,594 | 24,339,414 | 21,598,829 | 9,990,126 |
| Maine | 3,667,080 | 3,854,255 | 3,720,413 | 1,686,262 |
| Maryland | 13,552,128 | 16,806,330 | 13,787,590 | 6,621,907 |
| Massachusetts | 12,483,536 | 13,588,888 | 12,957,434 | 5,854,479 |
| Michigan | 27,277,938 | 22,130,803 | 28,969,657 | 11,756,760 |
| Minnesota | 7,782,432 | 8,023,090 | 8,048,735 | 3,578,139 |
| Mississippi | 11,341,654 | 13,390,794 | 12,562,595 | 5,594,256 |
| Missouri | 13,732,983 | 15,326,715 | 14,008,527 | 6,460,234 |
| Montana | 4,193,064 | 6,417,081 | 4,149,252 | 2,213,910 |

| | Program Year 2000 WIA Allotments | | | |
|---|---|---|---|---|
| State | Adults | Dislocated workers | Youth | Maximum 15 percent combined set-aside for statewide activities |
| Nebraska | 2,369,063 | 2,388,261 | 2,457,058 | 1,082,157 |
| Nevada | 3,550,960 | 5,076,189 | 3,661,485 | 1,843,295 |
| New Hampshire | 2,369,063 | 2,247,442 | 2,457,058 | 1,061,034 |
| New Jersey | 23,265,426 | 30,833,430 | 23,699,434 | 11,669,744 |
| New Mexico | 9,968,030 | 20,907,033 | 10,430,066 | 6,195,769 |
| New York | 81,558,176 | 142,360,726 | 81,034,703 | 45,743,041 |
| North Carolina | 14,198,520 | 16,906,622 | 14,391,704 | 6,824,527 |
| North Dakota | 2,369,063 | 1,421,909 | 2,457,058 | 937,205 |
| Ohio | 40,353,010 | 30,844,022 | 41,633,629 | 16,924,599 |
| Oklahoma | 10,261,832 | 8,085,953 | 10,326,811 | 4,301,189 |
| Oregon | 14,237,385 | 30,420,464 | 14,609,203 | 8,890,058 |
| Pennsylvania | 34,243,052 | 38,179,716 | 34,298,461 | 16,008,184 |
| Puerto Rico | 52,848,829 | 108,278,443 | 54,369,986 | 32,324,589 |
| Rhode Island | 2,478,859 | 2,924,830 | 2,490,640 | 1,184,149 |
| South Carolina | 11,664,248 | 9,726,336 | 12,091,526 | 5,022,317 |
| South Dakota | 2,369,063 | 1,477,871 | 2,457,058 | 945,599 |
| Tennessee | 18,118,821 | 14,194,628 | 18,465,533 | 7,616,847 |
| Texas | 82,451,236 | 74,756,662 | 88,620,250 | 36,874,222 |
| Utah | 2,753,861 | 4,343,544 | 3,301,394 | 1,559,820 |
| Vermont | 2,369,063 | 1,220,468 | 2,457,058 | 906,988 |
| Virginia | 12,992,562 | 12,359,788 | 13,385,882 | 5,810,735 |
| Washington | 20,455,166 | 28,220,707 | 21,370,932 | 10,507,021 |
| West Virginia | 10,306,103 | 23,364,426 | 10,548,280 | 6,632,821 |
| Wisconsin | 9,366,589 | 11,506,979 | 9,633,249 | 4,576,023 |
| Wyoming | 2,369,063 | 1,921,722 | 2,457,058 | 1,012,176 |

# Appendix IV: Percentage of Statewide Set-Aside Funds Used for Various Activities

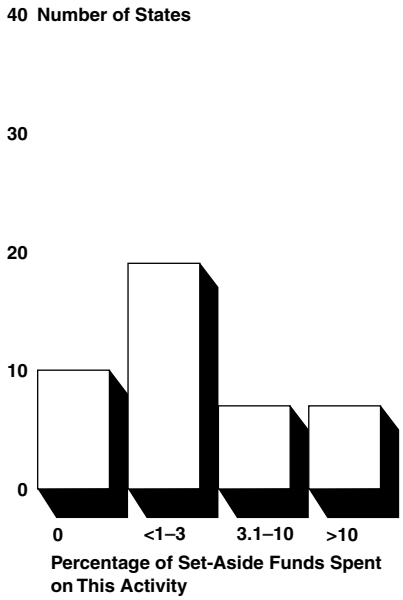
Forty-three of the 50 states responding to our survey on the use of set-aside funds for statewide activities indicated that they combined set-aside funds from their adult, youth, and dislocated worker allotments, as allowed by the act. The following graphs identify the percentage of statewide set-aside funds that these states spent on various activities. In some instances, the upper limit (greater than 10 percent) included a wide range. Accordingly, we have provided more information in the text on expenditures by states for this category.

**Figure 9: Percentage of Statewide Set-Aside Funds Spent on Disseminating State List of Training Providers**



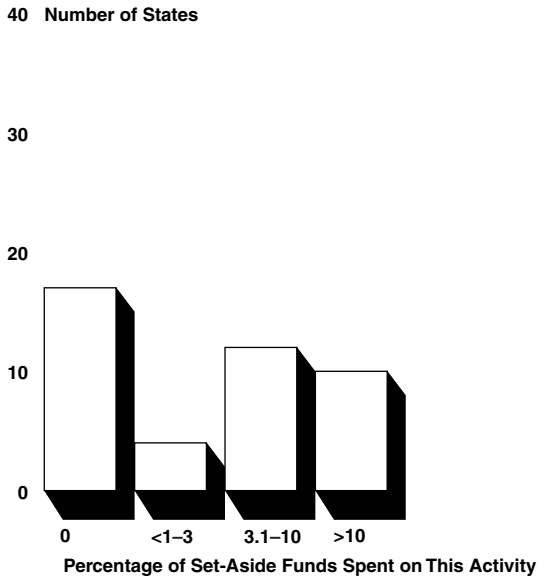

One state (North Dakota) spent 30 percent of its set-aside funds on disseminating a state list of training providers.

**Figure 10: Percentage of Statewide Set-Aside Funds Spent on Conducting Evaluations of Programs or Activities**



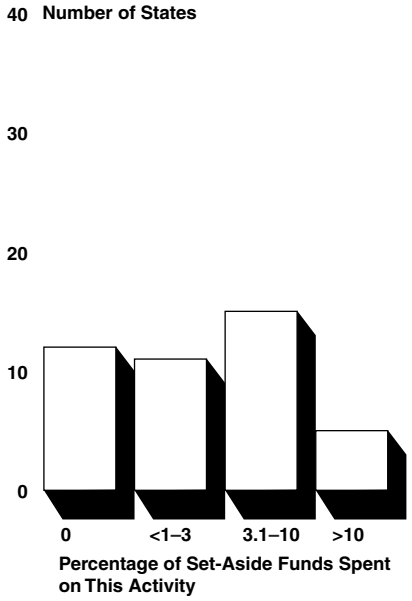

Five states spent between 10 percent and 18 percent of their combined set-aside funds on conducting evaluations of programs or activities. In addition, South Dakota and Arizona spent about 25 percent on this activity.

**Figure 11: Percentage of Statewide Set-Aside Funds Spent on Providing Incentive Grants to Local Areas**



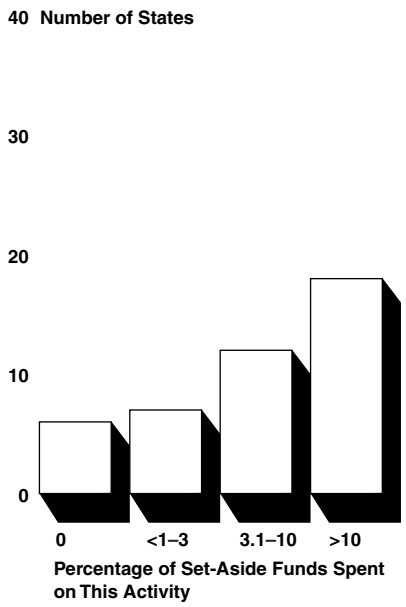

Seven states spent between 10 percent and 17 percent of their combined set-aside funds on providing incentive grants to local areas. In addition, Illinois spent over 21 percent, Wisconsin spent almost 29 percent, and Nebraska spent about 38 percent on this activity.

**Figure 12: Percentage of Statewide Set-Aside Funds Spent on Providing Technical Assistance to Local Areas**



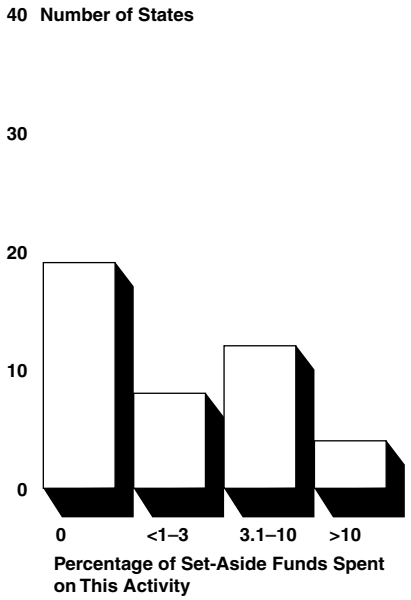

Four states spent between 10 percent and 15 percent of their combined set-aside funds on providing technical assistance to local areas. In addition, Mississippi and South Dakota spent 25 percent on this activity.

**Figure 13: Percentage of Statewide Set-Aside Funds Spent on Assisting in the Establishment or Operation of One-Stop Delivery Systems**



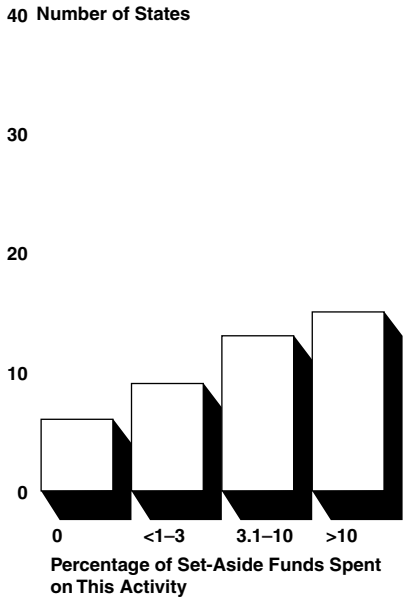

Seven states spent between 11 percent and 20 percent of their combined set-aside funds on assisting in the establishment and operation of one-stop center systems; another nine states spent between 22 percent and 37 percent of their funds on this activity. In addition, Connecticut spent about 41 percent and Missouri spent about 52 percent.

**Figure 14: Percentage of Statewide Set-Aside Funds Spent on Additional Assistance for Local Areas with a High Concentration of Eligible Youths**



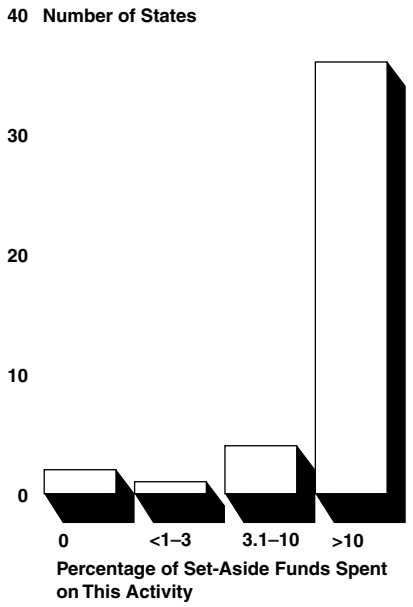

Four states spent between 12 percent and 15 percent of their set-aside funds on additional assistance for local areas with a high concentration of eligible youths.

**Figure 15: Percentage of Statewide Set-Aside Funds Spent on Operating Fiscal and Management Accountability Information Systems**



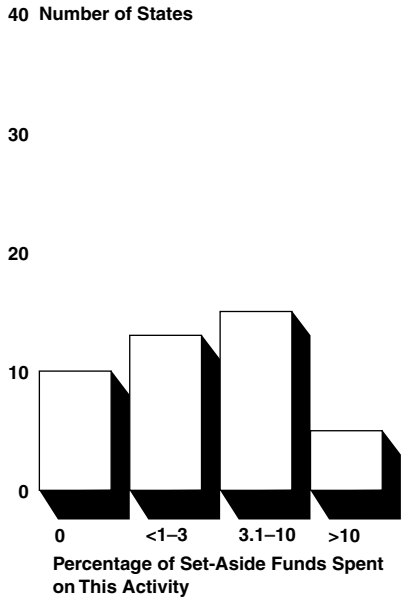

Four states spent between 10 percent and 20 percent of their set-aside funds on operating fiscal and management accountability information systems; another eight states spent from 20 percent to 30 percent on this activity. In addition, Arkansas spent almost 39 percent, Idaho spent about 47 percent, and Virginia spent about 51 percent on this activity.

**Figure 16: Percentage of Statewide Set-Aside Funds Spent on Carrying Out General State-Level Administrative Activities**



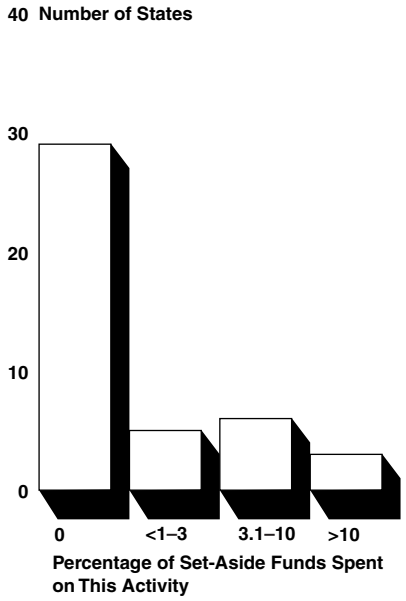

Nine states spent between 10 percent and 20 percent of their combined set-aside funds on carrying out general state-level administrative activities, six states spent between 20 percent and 30 percent on this activity, and 18 states spent between 30 percent and 35 percent. In addition, Texas spent about 38 percent, Nebraska spent about 45 percent, and Iowa spent about 64 percent of their combined set-aside funds on this activity.

**Figure 17: Percentage of Statewide Set-Aside Funds Spent on Providing Capacity Building to Local Areas through Training of Staff and Development of Exemplary Program Activities**



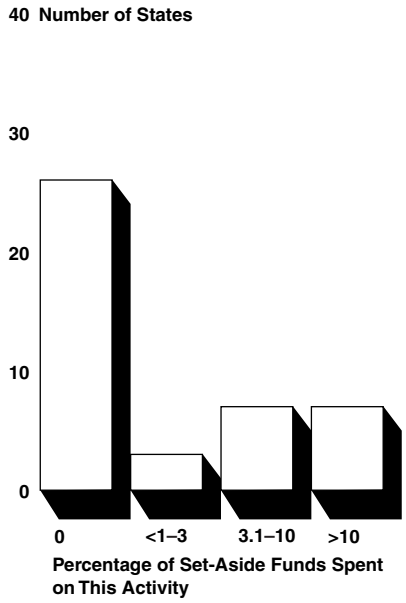

Five states spent between 10 percent and 19 percent of their combined set-aside funds on providing capacity building to local areas through training of staff, development of exemplary program activities, or both.

**Figure 18: Percentage of Statewide Set-Aside Funds Spent on Conducting Research and Demonstration Projects**




Idaho spent 13 percent, Florida spent about 29 percent, and New Hampshire spent about 35 percent of their combined set-aside funds on conducting research and demonstration projects.

**Figure 19: Percentage of Statewide Set-Aside Funds Spent on Implementing Incumbent Worker Training**




Four states spent between 10 percent and 20 percent of their combined set-aside funds on implementing incumbent worker training. In addition, Vermont spent 30 percent, Florida spent 34 percent, and Indiana spent 37 percent of their combined set-aside funds on this activity.

**Figure 20: Percentage of Statewide Set-Aside Funds Spent on Implementing Programs Targeted to Empowerment Zones and Enterprise Communities**

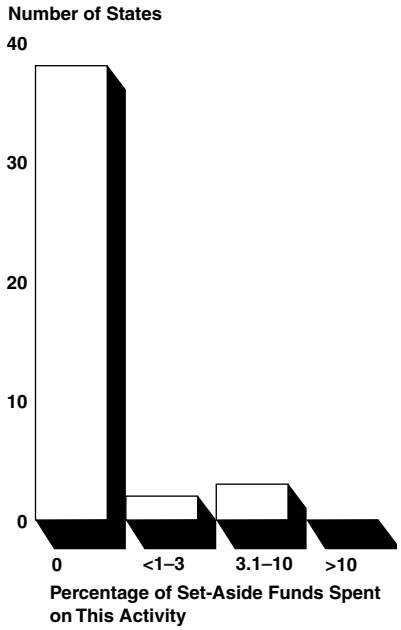


**Figure 21: Percentage of Statewide Set-Aside Funds Spent on Providing Support for the Identification of Eligible Training Providers**

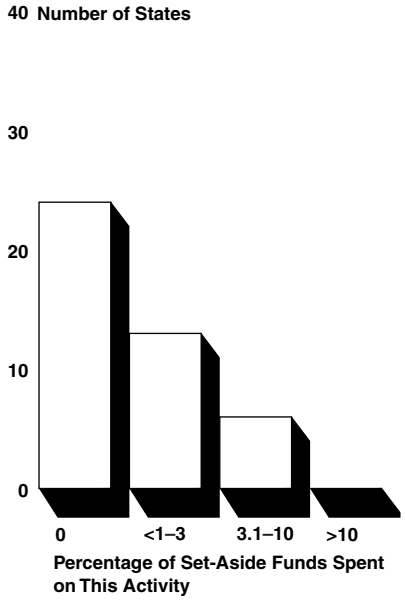
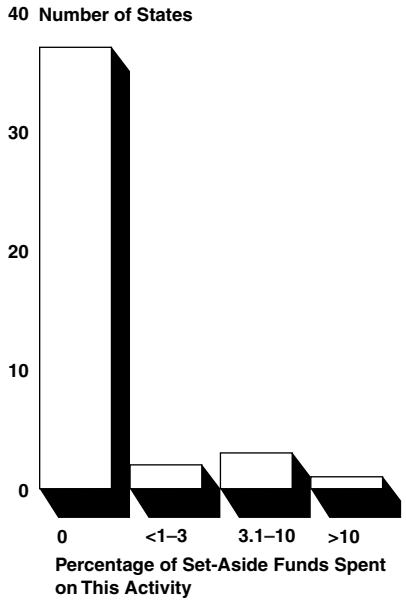
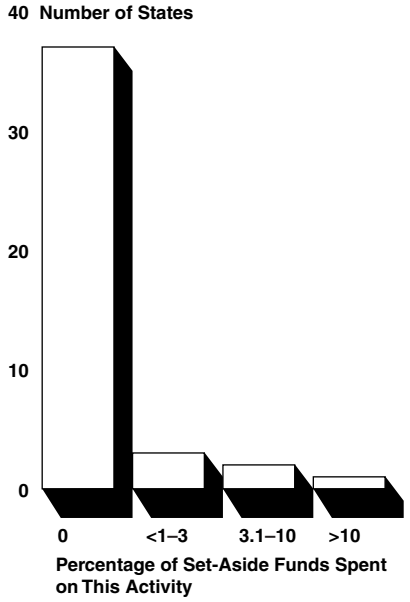


**Figure 22: Percentage of Statewide Set-Aside Funds Spent on Implementing Programs for Displaced Homemakers**



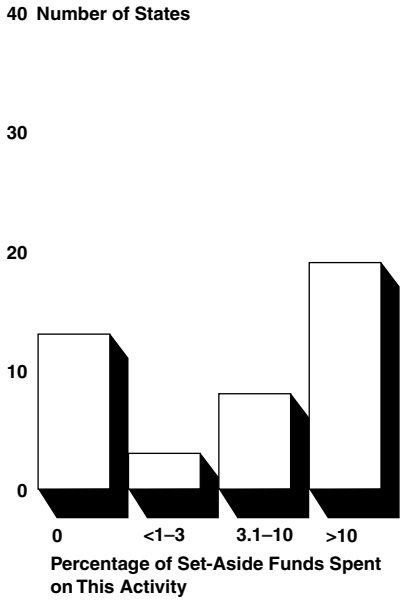

Virginia spent 19 percent of its set-aside funds on implementing programs for displaced homemakers.

**Figure 23: Percentage of Statewide Set-Aside Funds Spent on Implementing Training Programs for Nontraditional Employment Positions**




Vermont spent about 11 percent of its set-aside funds on implementing training programs for nontraditional employment positions.

**Figure 24: Percentage of Statewide Set-Aside Funds Spent on Other Activities**




Seven states spent between 10 percent and 18 percent of their set-aside funds on other activities, six states spent between 19 percent and 31 percent, and two states spent between 31 percent and 40 percent. In addition, Alabama and West Virginia both spent about 47 percent of their set-aside funds on these activities, while Nevada spent about 73 percent and California spent about 76 percent.

# Appendix V: Detailed Listing of the Federal Funding Formula for Dislocated Workers

Appendix V presents detailed results of our analysis of the federal funding formula for dislocated workers and its impact on 50 states, the District of Columbia, and Puerto Rico (see tables 7 through 11). We obtained information for the analysis of the funding formula and the state dislocated worker allotments between program years 1997 and 2001 from the Department of Labor.

**Table 7: Dislocated Worker Allotments for Program Years 1997 through 2001, by State**

| State | Program year 1997 | Program year 1998 | Program year 1999 | Program year 2000 | Program year 2001 |
|---|---|---|---|---|---|
| Alabama | $14,887,940 | $10,405,271 | $11,310,449 | $12,337,794 | $15,068,548 |
| Alaska | 3,931,646 | 5,569,805 | 6,053,763 | 6,719,943 | 11,395,001 |
| Arizona | 10,790,780 | 13,481,176 | 9,383,103 | 11,542,782 | 12,879,316 |
| Arkansas | 5,898,001 | 9,331,256 | 10,872,546 | 12,375,366 | 7,103,656 |
| California | 226,611,355 | 228,452,063 | 252,751,353 | 297,723,349 | 273,391,437 |
| Colorado | 6,569,865 | 6,965,327 | 6,515,135 | 8,967,371 | 8,255,862 |
| Connecticut | 12,269,326 | 13,972,394 | 10,137,244 | 8,480,789 | 7,406,982 |
| Delaware | 1,966,568 | 1,962,967 | 1,730,577 | 1,664,457 | 2,184,617 |
| District of Columbia | 5,631,401 | 5,710,918 | 9,278,408 | 10,174,200 | 8,433,959 |
| Florida | 47,487,185 | 43,088,420 | 37,376,186 | 41,053,379 | 39,311,417 |
| Georgia | 15,447,527 | 16,437,304 | 17,327,420 | 21,970,886 | 20,930,127 |
| Hawaii | 5,392,433 | 7,124,058 | 9,203,634 | 12,921,697 | 6,477,632 |
| Idaho | 3,203,461 | 4,218,044 | 5,142,284 | 6,033,643 | 3,898,217 |
| Illinois | 41,727,268 | 38,162,269 | 33,944,834 | 38,725,943 | 41,575,303 |
| Indiana | 11,375,233 | 10,887,945 | 9,999,244 | 10,502,473 | 10,682,428 |
| Iowa | 4,209,472 | 5,193,070 | 4,603,653 | 4,984,236 | 5,437,368 |
| Kansas | 4,690,124 | 5,046,917 | 5,107,811 | 5,772,856 | 5,502,565 |
| Kentucky | 11,913,534 | 16,465,202 | 10,071,794 | 11,423,295 | 11,735,435 |
| Louisiana | 22,984,811 | 24,467,573 | 25,508,779 | 24,339,414 | 23,158,418 |
| Maine | 4,643,804 | 3,812,342 | 4,094,611 | 3,854,255 | 3,214,945 |
| Maryland | 16,322,396 | 14,535,456 | 19,792,477 | 16,806,330 | 17,559,765 |
| Massachusetts | 18,455,865 | 14,048,429 | 13,467,578 | 13,588,888 | 15,134,353 |
| Michigan | 24,798,043 | 20,753,875 | 21,366,758 | 22,130,803 | 21,932,071 |
| Minnesota | 8,025,182 | 8,655,629 | 8,482,964 | 8,023,090 | 10,473,235 |
| Mississippi | 10,812,972 | 11,851,804 | 14,148,987 | 13,390,794 | 30,701,477 |
| Missouri | 10,875,026 | 12,288,831 | 13,857,280 | 15,326,715 | 12,374,521 |
| Montana | 3,531,457 | 2,892,798 | 4,879,006 | 6,417,081 | 7,084,638 |
| Nebraska | 1,594,122 | 1,965,472 | 1,997,095 | 2,388,261 | 2,997,707 |
| Nevada | 4,632,379 | 4,648,561 | 3,910,433 | 5,076,189 | 5,334,057 |
| New Hampshire | 2,260,095 | 2,272,311 | 1,583,448 | 2,247,442 | 1,877,882 |
| New Jersey | 44,679,005 | 43,261,829 | 36,304,389 | 30,833,430 | 30,498,439 |
| New Mexico | 8,607,771 | 12,173,813 | 14,447,813 | 20,907,033 | 21,923,521 |
| New York | 91,917,963 | 113,707,688 | 141,469,827 | 142,360,726 | 105,559,534 |
| North Carolina | 13,056,615 | 13,313,849 | 14,354,831 | 16,906,622 | 16,959,265 |

| State | Program year 1997 | Program year 1998 | Program year 1999 | Program year 2000 | Program year 2001 |
|---|---|---|---|---|---|
| North Dakota | 911,735 | 812,799 | 791,223 | 1,421,909 | 1,279,725 |
| Ohio | 30,158,145 | 30,143,462 | 28,150,483 | 30,844,022 | 34,309,127 |
| Oklahoma | 6,134,591 | 5,531,341 | 6,881,200 | 8,085,953 | 6,561,865 |
| Oregon | 8,292,745 | 15,100,295 | 17,668,368 | 30,420,464 | 28,811,913 |
| Pennsylvania | 47,736,539 | 45,002,996 | 36,555,932 | 38,179,716 | 38,706,830 |
| Puerto Rico | 39,306,758 | 49,534,488 | 82,314,462 | 108,278,443 | 166,101,676 |
| Rhode Island | 4,450,933 | 3,588,822 | 3,851,636 | 2,924,830 | 2,885,714 |
| South Carolina | 13,502,936 | 16,723,308 | 8,163,435 | 9,726,336 | 11,936,257 |
| South Dakota | 815,418 | 890,691 | 986,630 | 1,477,871 | 1,283,809 |
| Tennessee | 15,412,716 | 18,581,291 | 14,120,459 | 14,194,628 | 12,771,543 |
| Texas | 81,382,699 | 81,009,852 | 74,819,227 | 74,756,662 | 63,747,179 |
| Utah | 2,503,785 | 2,446,846 | 3,229,390 | 4,343,544 | 4,430,131 |
| Vermont | 1,060,691 | 1,298,100 | 1,391,491 | 1,220,468 | 1,240,882 |
| Virginia | 13,354,807 | 14,527,059 | 13,872,204 | 12,359,788 | 12,424,713 |
| Washington | 26,317,878 | 24,728,657 | 13,905,356 | 28,220,707 | 27,119,437 |
| West Virginia | 12,065,944 | 13,035,793 | 16,082,147 | 23,364,426 | 25,423,973 |
| Wisconsin | 8,791,150 | 9,028,070 | 9,944,587 | 11,506,979 | 12,880,353 |
| Wyoming | 999,905 | 1,299,464 | 1,204,056 | 1,921,722 | 1,663,175 |
| **Total** | **1,034,400,000** | **1,080,408,000** | **1,124,408,000** | **1,271,220,000** | **1,272,032,000** |

**Table 8: Percentage Change in Total Dislocated Worker Allotments for Program Years 1998 through 2001, by State**

| States | Program year 1998 | Program year 1999 | Program year 2000 | Program year 2001 |
|---|---|---|---|---|
| Alabama | -30% | 9% | 9% | 22% |
| Alaska | 42 | 9 | 11 | 70 |
| Arizona | 25 | -30 | 23 | 12 |
| Arkansas | 58 | 17 | 14 | -43 |
| California | 1 | 11 | 18 | -8 |
| Colorado | 6 | -6 | 38 | -8 |
| Connecticut | 14 | -27 | -16 | -13 |
| Delaware | 0 | -12 | -4 | 31 |
| District of Columbia | 1 | 62 | 10 | -17 |
| Florida | -9 | -13 | 10 | -4 |
| Georgia | 6 | 5 | 27 | -5 |
| Hawaii | 32 | 29 | 40 | -50 |
| Idaho | 32 | 22 | 17 | -35 |
| Illinois | -9 | -11 | 14 | 7 |
| Indiana | -4 | -8 | 5 | 2 |
| Iowa | 23 | -11 | 8 | 9 |
| Kansas | 8 | 1 | 13 | -5 |

| States | Program year 1998 | Program year 1999 | Program year 2000 | Program year 2001 |
|---|---|---|---|---|
| Kentucky | 38 | -39 | 13 | 3 |
| Louisiana | 6 | 4 | -5 | -5 |
| Maine | -18 | 7 | -6 | -17 |
| Maryland | -11 | 36 | -15 | 4 |
| Massachusetts | -24 | -4 | 1 | 11 |
| Michigan | -16 | 3 | 4 | -1 |
| Minnesota | 8 | -2 | -5 | 31 |
| Mississippi | 10 | 19 | -5 | 129 |
| Missouri | 13 | 13 | 11 | -19 |
| Montana | -18 | 69 | 32 | 10 |
| Nebraska | 23 | 2 | 20 | 26 |
| Nevada | 0 | -16 | 30 | 5 |
| New Hampshire | 1 | -30 | 42 | -16 |
| New Jersey | -3 | -16 | -15 | -1 |
| New Mexico | 41 | 19 | 45 | 5 |
| New York | 24 | 24 | 1 | -26 |
| North Carolina | 2 | 8 | 18 | 0 |
| North Dakota | -11 | -3 | 80 | -10 |
| Ohio | 0 | -7 | 10 | 11 |
| Oklahoma | -10 | 24 | 18 | -19 |
| Oregon | 82 | 17 | 72 | -5 |
| Pennsylvania | -6 | -19 | 4 | 1 |
| Puerto Rico | 26 | 66 | 32 | 53 |
| Rhode Island | -19 | 7 | -24 | -1 |
| South Carolina | 24 | -51 | 19 | 23 |
| South Dakota | 9 | 11 | 50 | -13 |
| Tennessee | 21 | -24 | 1 | -10 |
| Texas | 0 | -8 | 0 | -15 |
| Utah | -2 | 32 | 35 | 2 |
| Vermont | 22 | 7 | -12 | 2 |
| Virginia | 9 | -5 | -11 | 1 |
| Washington | -6 | -44 | 103 | -4 |
| West Virginia | 8 | 23 | 45 | 9 |
| Wisconsin | 3 | 10 | 16 | 12 |
| Wyoming | 30 | -7 | 60 | -13 |
| US + Puerto Rico | 4 | 4 | 13 | 0 |

**Table 9: States with Excess Unemployment for Program Years 1997 through 2001**

| States | Program year 1997 | Program year 1998 | Program year 1999 | Program year 2000 | Program year 2001 |
|---|---|---|---|---|---|
| Alabama | X | X | | | |
| Alaska | X | X | X | X | X |
| Arizona | X | X | | | |
| Arkansas | X | X | X | X | |
| California | X | X | X | X | X |
| Colorado | | | | | |
| Connecticut | X | X | | | |
| Delaware | X | X | | | |
| District of Columbia | X | X | X | X | X |
| Florida | X | X | X | | |
| Georgia | X | X | | | |
| Hawaii | X | X | X | X | X |
| Idaho | X | X | X | X | |
| Illinois | X | X | X | | |
| Indiana | | | | | |
| Iowa | | | | | |
| Kansas | | | | | |
| Kentucky | X | X | | | |
| Louisiana | X | X | X | X | X |
| Maine | X | X | X | | |
| Maryland | X | X | X | | |
| Massachusetts | X | | | | |
| Michigan | X | | | | |
| Minnesota | | | | | |
| Mississippi | X | X | X | X | X |
| Missouri | | | | | |
| Montana | X | X | X | X | X |
| Nebraska | | | | | |
| Nevada | X | X | | | |
| New Hampshire | | | | | |
| New Jersey | X | X | X | X | |
| New Mexico | X | X | X | X | X |
| New York | X | X | X | X | X |
| North Carolina | | | | | |
| North Dakota | | | | | |
| Ohio | X | X | | | |
| Oklahoma | | | | | |
| Oregon | X | X | X | X | X |
| Pennsylvania | X | X | X | | |
| Puerto Rico | X | X | X | X | X |
| Rhode Island | X | X | X | | |

| States | Program year 1997 | Program year 1998 | Program year 1999 | Program year 2000 | Program year 2001 |
|---|---|---|---|---|---|
| South Carolina | X | X | | | |
| South Dakota | | | | | |
| Tennessee | X | X | | | |
| Texas | X | X | X | X | |
| Utah | | | | | |
| Vermont | | | | | |
| Virginia | | | | | |
| Washington | X | X | X | X | X |
| West Virginia | X | X | X | X | X |
| Wisconsin | | | | | |
| Wyoming | X | X | | X | |
| State Count | 36 | 34 | 23 | 18 | 13 |

**Table 10: Percentage Change in Long-Term Unemployment Allotments from Prior Year, by State**

| States | Program year 1997 | Program year 1998 | Program year 1999 | Program year 2000 |
|---|---|---|---|---|
| Alabama | -20% | 32% | -4% | 35% |
| Alaska | 49 | 33 | -29 | 11 |
| Arizona | 48 | -20 | 16 | 30 |
| Arkansas | 60 | 17 | 41 | -32 |
| California | 3 | -6 | 18 | -8 |
| Colorado | 18 | -24 | 74 | -10 |
| Connecticut | -4 | 10 | -21 | -12 |
| Delaware | 7 | -3 | -15 | 48 |
| District of Columbia | -2 | 7 | 29 | -22 |
| Florida | -1 | 1 | 21 | -9 |
| Georgia | 9 | 12 | 38 | -10 |
| Hawaii | 15 | 25 | 32 | -5 |
| Idaho | 42 | 2 | 21 | 11 |
| Illinois | 1 | 6 | 16 | 7 |
| Indiana | 10 | -22 | 0 | -22 |
| Iowa | 42 | -12 | -6 | 39 |
| Kansas | -1 | 0 | 6 | -14 |
| Kentucky | 17 | -7 | 11 | 6 |
| Louisiana | 4 | -5 | -1 | 15 |
| Maine | -2 | 17 | 3 | -31 |
| Maryland | -6 | 36 | 5 | 14 |
| Massachusetts | -16 | -8 | -3 | 24 |
| Michigan | -8 | 2 | -12 | 2 |
| Minnesota | 11 | 8 | -23 | 54 |
| Mississippi | 46 | 17 | 9 | -11 |

| States | Program year 1997 | Program year 1998 | Program year 1999 | Program year 2000 |
|---|---|---|---|---|
| Missouri | 9 | 14 | 27 | -25 |
| Montana | -7 | 17 | 1 | 33 |
| Nebraska | 78 | 17 | -15 | 48 |
| Nevada | 16 | -12 | 57 | 0 |
| New Hampshire | 7 | -56 | 89 | -44 |
| New Jersey | 5 | -14 | 10 | 18 |
| New Mexico | 56 | -14 | 52 | -26 |
| New York | 5 | 34 | 7 | -2 |
| North Carolina | 7 | 11 | 34 | -15 |
| North Dakota | -29 | 17 | 112 | -26 |
| Ohio | 7 | 9 | 2 | 19 |
| Oklahoma | -15 | 31 | 10 | -21 |
| Oregon | 97 | 7 | 61 | -11 |
| Pennsylvania | 2 | -4 | 18 | 3 |
| Puerto Rico | 7 | 22 | 47 | 3 |
| Rhode Island | -34 | 31 | -6 | -7 |
| South Carolina | 47 | -36 | 0 | 37 |
| South Dakota | 7 | 17 | 112 | -26 |
| Tennessee | -2 | 30 | -3 | -23 |
| Texas | -3 | 12 | 7 | 13 |
| Utah | -24 | 63 | 41 | 11 |
| Vermont | 42 | 17 | -29 | 11 |
| Virginia | 9 | 4 | -26 | 0 |
| Washington | 9 | -26 | 63 | -4 |
| West Virginia | -2 | 1 | 56 | -14 |
| Wisconsin | -5 | 22 | 7 | 17 |
| Wyoming | 7 | 17 | 41 | 11 |
| US + Puerto Rico | 4 | 4 | 13 | 0 |

**Table 11: Total Dislocated Worker Allotment per Unemployed Worker for Program Years 1997 through 2001, by State**

| States | Program year 1997 | Program year 1998 | Program year 1999 | Program year 2000 | Program year 2001 |
|---|---|---|---|---|---|
| Alabama | $135 | $107 | $127 | $133 | $156 |
| Alaska | 170 | 230 | 298 | 354 | 595 |
| Arizona | 100 | 121 | 101 | 116 | 138 |
| Arkansas | 96 | 142 | 173 | 206 | 132 |
| California | 195 | 220 | 262 | 325 | 327 |
| Colorado | 77 | 92 | 91 | 128 | 134 |
| Connecticut | 139 | 156 | 148 | 162 | 173 |
| Delaware | 107 | 110 | 122 | 129 | 154 |
| District of Columbia | 237 | 280 | 416 | 537 | 545 |
| Florida | 127 | 124 | 113 | 135 | 137 |
| Georgia | 90 | 94 | 108 | 139 | 141 |
| Hawaii | 156 | 197 | 266 | 375 | 235 |
| Idaho | 102 | 130 | 158 | 188 | 131 |
| Illinois | 129 | 129 | 122 | 143 | 151 |
| Indiana | 84 | 105 | 103 | 119 | 109 |
| Iowa | 79 | 98 | 110 | 118 | 154 |
| Kansas | 87 | 90 | 101 | 116 | 116 |
| Kentucky | 125 | 159 | 117 | 137 | 150 |
| Louisiana | 176 | 200 | 225 | 235 | 241 |
| Maine | 132 | 121 | 136 | 148 | 132 |
| Maryland | 120 | 113 | 151 | 158 | 191 |
| Massachusetts | 120 | 109 | 119 | 136 | 162 |
| Michigan | 107 | 98 | 111 | 117 | 126 |
| Minnesota | 85 | 96 | 119 | 119 | 144 |
| Mississippi | 142 | 169 | 210 | 216 | 437 |
| Missouri | 94 | 101 | 116 | 160 | 156 |
| Montana | 140 | 129 | 198 | 257 | 301 |
| Nebraska | 64 | 85 | 107 | 103 | 119 |
| Nevada | 110 | 111 | 100 | 140 | 142 |
| New Hampshire | 95 | 113 | 89 | 127 | 106 |
| New Jersey | 173 | 186 | 176 | 160 | 182 |
| New Mexico | 158 | 218 | 271 | 401 | 476 |
| New York | 172 | 207 | 276 | 305 | 252 |
| North Carolina | 80 | 92 | 107 | 143 | 131 |
| North Dakota | 89 | 83 | 107 | 150 | 133 |
| Ohio | 108 | 112 | 112 | 126 | 142 |
| Oklahoma | 88 | 93 | 111 | 125 | 130 |
| Oregon | 95 | 156 | 188 | 310 | 319 |
| Pennsylvania | 145 | 148 | 133 | 147 | 159 |
| Puerto Rico | 222 | 291 | 463 | 692 | 1,193 |
| Rhode Island | 162 | 140 | 160 | 146 | 145 |

| States | Program year 1997 | Program year 1998 | Program year 1999 | Program year 2000 | Program year 2001 |
|---|---|---|---|---|---|
| South Carolina | 133 | 168 | 124 | 126 | 148 |
| South Dakota | 72 | 79 | 92 | 144 | 133 |
| Tennessee | 111 | 130 | 113 | 131 | 123 |
| Texas | 142 | 150 | 152 | 156 | 139 |
| Utah | 78 | 75 | 96 | 118 | 134 |
| Vermont | 79 | 98 | 121 | 120 | 136 |
| Virginia | 89 | 99 | 122 | 123 | 131 |
| Washington | 150 | 156 | 102 | 191 | 190 |
| West Virginia | 200 | 232 | 305 | 452 | 556 |
| Wisconsin | 84 | 87 | 107 | 120 | 132 |
| Wyoming | 86 | 107 | 106 | 159 | 151 |
| US + Puerto Rico | 140 | 155 | 176 | 209 | 223 |

# Appendix VI: Comments From the U.S. Department of Labor

**U.S. Department of Labor**

Assistant Secretary for
Employment and Training
Washington, D.C. 20210

JAN 25 2002

Mr. Sigurd R. Nilsen
Director
Education, Workforce,
and Income Security Issues
U.S. General Accounting Office
Washington, D.C. 20548

Dear Mr. Nilsen:

Thank you for the opportunity to comment on the draft report titled, Workforce Investment Act: Better Guidance and Revised Funding Formula Would Enhance Dislocated Worker Program (GAO-02-274). I read the report with interest, and appreciate the considerable effort it represents as well as the thoughtful recommendations the General Accounting Office has provided. This is the first opportunity for the Employment and Training Administration (ETA) to review many of the areas of inquiry regarding the states' use of dislocated worker funds for rapid response as well as the use of statewide set-aside funds. We will be analyzing this data to determine other areas in which states may need technical assistance or guidance regarding the opportunities afforded them with this funding.

The following are ETA's comments:

The draft report provides an informative review of how the states have responded to the challenges presented by the implementation of the Workforce Investment Act of 1998 (WIA) and many of the key issues during the implementation process. The draft report presents three recommendations for executive action and presents, as a matter for Congressional consideration, the subject of modifying the existing dislocated worker funding formula to better reflect the distribution of dislocated workers.

**Recommendations for Executive Action**

*Recommendation*: Identify areas proactively that emerge as requiring additional guidance to help state and local areas implement the dislocated worker program.

*Comment*: As the report points out, Congress passed the WIA with the intent to provide greater flexibility to states and local workforce areas. ETA regards this flexibility as one of the fundamental principles governing its relationship to the workforce investment system, and has been prudent in considering guidance that

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2

would have the effect of setting national requirements for program operations. As a result of the findings contained in its initial assessments of WIA implementation (*Report on Early State Progress Toward WIA Implementation: Final Interim Report (February 2001),* and *The Status of the WIA Readiness Implementation Report (March 2001)*), ETA organized four WIA readiness workgroups comprised of representatives of local, state and federal partners. The workgroups confirmed the basic findings and identified several potential areas for the development of additional federal guidance.

For adult and dislocated worker programs, areas that emerged and have been targeted for guidance by ETA include: increasing the participation of training providers as Eligible Training Providers; clarifying eligibility determination policies, procedures and documentation; delineating the point of registration for adult and dislocated worker programs to establish consistent measurement of participant services throughout the system; clarifying WIA policy on "work first" and customer-focused services; and clarifying the levels of service (core, intensive and training) and eligibility for each. These and other WIA implementation issues, and short-term actions proposed to address them, are discussed in *Training and Employment Information Notice No. 4-01, November 14, 2001, Subject: WIA Readiness Workgroup Activities.*

***Recommendation:*** Disseminate guidance that is more responsive to the concerns of workforce officials responsible for implementing WIA's requirements, including when to register individuals into the dislocated worker program and how to provide additional assistance to local areas using rapid response funds.

***Comment:*** As discussed above, the "point of registration" issue was addressed by the WIA Readiness Workgroup, and ETA plans to issue additional guidance on this topic. Our review has found that the issuance of a clarification regarding when to register WIA participants should take into consideration the following factors: 1) the need to ensure adequate services for those who are registered, especially the availability of a range of training program options; 2) the need to assess the potential impact of such a clarification on the performance accountability system currently in effect for WIA; 3) the relationship between registration and eligibility issues and the pending development of eligibility guidance; and 4) the absence of a "One-Stop system measure" capturing all individuals – registered and unregistered – served by the One-Stop system. ETA believes that a common point of registration is an integral component of a nationwide system of performance accountability. The interdependence between registration and the factors identified above means that registration guidance cannot be developed in isolation, and must reflect the complexities of the performance accountability system that has been established under WIA.

3

The subject of how to provide additional assistance to local areas using rapid response funds was not identified as an issue in ETA's WIA implementation assessments or the WIA Readiness Workgroups. During Calendar Year 2001, the primary financial issue affecting the dislocated worker program has been the relatively low rate of expenditures reported by the states, a condition which was the primary impetus for Congress to pass legislation in July rescinding $177.5 million in dislocated worker funds. Nonetheless, the draft report's *Appendix II, Table 5 Program Year 2000 Dislocated Worker Allotment and Rapid Response Set-Aside Funds in 42 States,* provides valuable information for ETA and for the workforce investment system in considering how dislocated worker resources are allocated.

In reviewing the data, there appear to be two groups of states that chose not to provide significant additional assistance to local areas: (1) states that reserved amounts of rapid response funds far below the 25 percent authorized in the Act, which seriously limited their ability to use such funds to provide additional assistance to local areas (e.g., Arkansas, Colorado, Hawaii, Nevada, New Mexico and New York), and (2) states with relatively higher proportions reserved, but relatively small amounts available for additional assistance (e.g., Connecticut, Mississippi, New Jersey, Oregon and Puerto Rico). Because worker dislocations take place after formula funds are allocated to local areas, available resources do not always match need. ETA believes that Governors should strongly consider using the authority provided in WIA to assist local areas in responding to increased worker dislocations during the Program Year. The information provided by *Appendix II, Table 5* will allow ETA to explore this issue with states that did not provide significant additional assistance funds to local areas and determine whether federal guidance is necessary on this topic.

***Recommendation:*** Disseminate timely information on best practices being developed by local areas to meet the needs of dislocated workers.

***Comment:*** Beginning in early 1998, ETA has supported a National Dislocated Worker and Rapid Response Workgroup. This group helped to organize two national conferences and developed several technical assistance products. The group will be reconstituted in 2002 and a new agenda developed to reflect current issues. Staff in local workforce areas will be among the audiences targeted for technical assistance.

In addition, ETA has a contract with the State of Illinois to develop a website to display "promising practices" in a timely manner. Appropriate screening criteria will be used to assure policies and approaches put up on the site meet the intent of the WIA. Meetings are scheduled in January 2002 to begin implementation of the project.

4

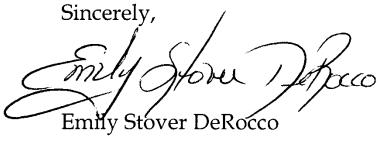
**Matter for Congressional Consideration**

***Suggestion:*** The report suggests that Congress consider modifying the existing dislocated worker funding formula, in order to minimize funding volatility and to ensure that dislocated worker funds are better distributed to states in relation to their dislocated worker population. It also suggests that Congress may wish to direct DOL to undertake a study of the dislocated worker funding formula to identify factors that would better distribute program funds to states in relation to their dislocated worker population. The report observes that "[w]ithout stable funding levels that are tied to the number of dislocated workers, states are unable to conduct meaningful long- or short-term financial planning that is necessary to develop and deliver high quality services for dislocated workers."

***Comment:*** ETA has been aware of the severe year-to-year funding fluctuations created by the present formula and the concomitant difficulties for states in their planning and delivery of dislocated worker services. We believe that resource allocation practices should ensure that funds are distributed in a manner that puts resources where they are most needed. In conjunction with the WIA-mandated review of the adult funding formula, ETA has initiated a review of the WIA dislocated worker funding formula and fund distribution process. In addition, ETA will seek to identify effective practices for states to consider in determining within-state allocations of dislocated worker funds. We note that several states are revising their state dislocated worker distribution formulae.

Thank you again for the opportunity to comment. If you have questions regarding these comments, please contact me at (202) 693-2700, James Aaron at (202) 693-2814, or Shirley M. Smith at (202) 693-3500.

Sincerely,



Emily Stover DeRocco

# Appendix VII: GAO Contacts and Staff Acknowledgments

## GAO Contacts

Joan Mahagan, Assistant Director (617) 565-7532
Wayne Sylvia, Analyst-in-Charge (617) 565-7492

## Staff Acknowledgments

Arthur Merriam, Joseph Evans, and Lorin Obler made significant contributions to this report, in all aspects of the work throughout the review. In addition, Jerry Fastrup and Richard Horte led the analysis of the dislocated worker funding formula, James Wright and John Smale assisted in the design of the two national surveys, Jessica Botsford and Richard Burkard provided legal support, and Corinna Nicolaou assisted in the message and report development.

# Related GAO Products

*Workforce Investment Act: Improvements Needed in Performance Standards to Provide a More Accurate Picture of WIA's Effectiveness.* GAO-02-275. Washington, D.C.: February 1, 2002.

*Workforce Investment Act: Better Guidance Needed to Address Concerns Over New Requirements.* GAO-02-72. Washington, D.C.: October 4, 2001.

*Trade Adjustment Assistance: Experiences of Six Trade-Impacted Communities.* GAO-01-838. Washington, D.C.: August 24, 2001.

*Veterans' Employment and Training Service: Proposed Performance Measurement System Improved, But Further Changes Needed.* GAO-01-580. Washington, D.C.: May 15, 2001.

*Trade Adjustment Assistance: Trends, Outcomes, and Management Issues in Dislocated Worker Programs.* GAO-01-59. Washington, D.C.: October 13, 2000.

*Workforce Investment Act: Implementation Status and the Integration of TANF Services.* GAO/T-HEHS-00-145. Washington, D.C.: June 29, 2000.

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