

NYS Workforce Issues Budget Hearing

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As Congress and President Obama work out the details of an economic stimulus package that will exceed \$800 billion, it is critical that New York State develops a spending plan that ensures we have a workforce ready to undertake shovel-ready projects – such as building bridges and roads, constructing schools, retrofitting affordable housing, and expanding our energy infrastructure. To be effective, these job creation efforts must be married with workforce education and training – especially for the populations most severely impacted by the current recession, including public assistance recipients, disconnected youth, and the formerly incarcerated.¹

At the same time, Our FY09-10 budget priorities reflect our belief that those who work should not be poor. This testimony will outline the workforce education and training budget priorities of the Community Service Society, within both the context of the current NYS FY09-10 budget negotiations and imminent influx of federal aid. Our workforce plan will ensure more New Yorkers have the education, skills, and employment networks they need to enter the workforce, stay employed, and advance in their careers; and that more individuals in New York State who are working can achieve economic security.

I. **Do not cut essential services or the public workforce.**

During this economic downturn, it is critical that New York State does not cut essential services or the public workforce. The Fiscal Policy Institute, in a letter it released with 117 top economists from around the state argues that “it is economically preferable to raise taxes on those with high incomes than to cut expenditures”... that “harm vulnerable low- and moderate-income New Yorkers.”² CSS believes that cutting services and supports for low- and moderate-income New Yorkers and reducing the public workforce will further contract the economy, and should be avoided if possible.

¹ Deparle, Jason, “Welfare System Failing to Grow as Economy Lags,” February 2, 2009, New York Times.

² See http://www.fiscalpolicy.org/FPI_Release_EconomistsOnFiscalPolicy_December2008.pdf.

II. Put Low-Income New Yorkers to Work through a Large-Scale Transitional Jobs Program.

Putting low-income job-seekers to work is a proven economic stimulus, with each dollar earned spent in local communities on basic needs such as food. We commend the Office of Temporary and Disability Assistance (OTDA), under the leadership of Commissioner David Hansell, for creating New York State's first Transitional Jobs (TJ) program for public assistance recipients. In this economic downturn, we need to expand on this model – which promises to save New York money in a short-period of time.

Transitional employment is a workforce strategy designed to overcome employment obstacles by using real work in time-limited, wage-paying jobs combined with skill development and supportive services to help participants successfully move into the labor market. This model has been deemed effective for public assistance recipients and shows great promise for the formerly incarcerated.

CSS recommends that the Governor and the Division of the Budget support our FY09-10 request of \$80 million to expand on OTDA's efforts and create 4,000 transitional jobs slots (lasting on average 6 months each), which would create 8,000 transitional jobs – 4,000 for formerly incarcerated men and women within 90 days of release to their communities and 4,000 for public assistance recipients who have been unemployed for at least one year. Each transitional job would include four days a week of paid work experience and one day a week of education tied to employment. Our proposal is included as **Attachment A.**

In order to show that this TJ program is an excellent investment for putting New Yorkers to work in this economic downturn, we conducted a Return on Investment (ROI) analysis in collaboration with the Fiscal Policy Institute. Our ROI analysis shows that this Transitional Jobs program would produce over a 300% cost savings within 3 years of program implementation. For public assistance recipients, an initial \$17 million investment in the TJ initiative results in state/local cost savings of \$60 million dollars. For the formerly incarcerated, an initial \$32 million investment results in state/local cost savings of \$96 million.³ The ROI analysis is included as **Attachment B.**

At the federal level, we expect that some job creation efforts of the American Recovery and Reinvestment Plan will allow the flexibility for New York State to create a transitional jobs program. We recommend that the NYS Department of Labor (DOL), Department of the Budget

³ While the gross cost of the TJ program is \$80 million, the net cost is only \$49 million when factoring in other state expenditure offsets. The difference between the gross cost and net cost is further explained in the ROI analysis.

(DOB), and the Governor's Office consider allocating USDOL funding for TJ programs for the hard-to-serve, including long-term public assistance recipients and the formerly incarcerated. Three areas where Congressional action is now needed to ensure transitional jobs are permitted as stimulus spending include:

- *Temporary Aid to Needy Families (TANF)*. We recommend changes to the Social Security Act which would amend TANF to include transitional jobs as a core countable work activity.⁴
- *Workforce Investment Act (WIA)*. We recommend that TJs are an allowable activity under the WIA adult program. The Secretary of Labor would then provide guidance about TJs to the local WIA boards.⁵
- *Neighborhood Stabilization program*. We recommend that TJ is included as an allowable activity under this public housing funding stream.⁶

We also expect that TANF Contingency Funds language in the stimulus package will permit the federal to pay for 80 percent of subsidized work experience for TANF recipients, even if the NYS caseload does not increase. This section of the legislation presents an enormous opportunity for creating a large scale transitional jobs program in New York State.

In addition, we expect **The Second Chance Act** to be funded during the 111th Congress. The Second Chance Act is designed to improve outcomes for people returning to the community from prison and jails, and would support TJ programs and a myriad of housing, employment, substance abuse, and other resources for this population.⁷

⁴ Amend the Social Security Act [42 U.S.C. 607] as follows:

- Section 407(c)(1)(A), strike "or (12) of subsection (d)" and insert "(12) or (13) of subsection (d)"
- Section 407(c)(1)(B)(i), strike "or (12) of subsection (d)" and insert "(12) or (13) of subsection (d)"
- Section 407(c)(1)(B)(ii), strike "or (12) of subsection (d)" and insert "(12) or (13) of subsection (d)"
- Section 407(d), strike "and (12) the provision of child care services to an individual who is participating in a community service program" and insert "(12) the provision of child care services to an individual who is participating in a community service program; and (13) a Transitional Jobs program"

⁵ Amend S.336, The American Recovery and Reinvestment Plan, Title VIII as follows: on p.122 line 17 insert, "Provided further, transitional jobs for individuals with barriers to employment are an allowable use of funds under this section. The Secretary of Labor shall develop guidance for local boards about this provision;" after "WIA".

⁶ Amend S.336, The American Recovery and Reinvestment Plan, Title XII, Section 1201, on page 251, line 7, after heading, insert that "Transitional Jobs programs are an allowable use of these funds."

⁷ On April 9, 2008, President Bush signed the Second Chance Act into law (Public Law 110-199) but funding has not yet been appropriated.

In order to receive Second Chance Act funding, states will need to develop a coordinated spending plan. We encourage New York State to develop an interagency spending plan in anticipation of this funding source. We would also encourage New York State, once funding reaches the ground, to allocate dollars for a TJ program for the formerly incarcerated.

III. **Expand new and innovative Career Pathway Program.**

We commend the Office of Temporary and Disability Assistance (OTDA) and the Department of Labor (DOL) for creating a \$5 million pilot Career Pathway Program to help low-income New Yorkers access education and job training services linked to careers in high-growth sectors of the economy. This truly positions New York State as a leader in the national effort to help low-wage workers advance in their careers and achieve economic security. We look forward to continuing to assist OTDA and DOL on program design and implementation to ensure that funds support the career outcomes we would all like to see.

We also request an additional \$5 million to expand the scale of this pilot program. One possible source of these dollars could be the federal stimulus funding. This funding stream could support adult education programs that integrate basic skills, English language instruction, and occupational training and focus on transition to postsecondary education. Funding could also be used to quickly expand technical education programs leading to good jobs with career pathways. By creating or expanding capacity across a wide range of training programs, NYS can help ensure that a diversity of workers across all skill levels will benefit from federal job creation investments.

IV. **Expand funds to proven models that ensure young people gain skills and find jobs.**

Unprecedented numbers of young adults are out of work. Whereas some young adults are ready for work, large numbers face basic and hard skill deficits that will require preparation and training. Funding to put young adults to work will require programs that provide opportunities to receive a GED, job training, and placement in a supported work experience, from which the young adult can transition into full-time unsupported work. There are various models – including Summer Youth Employment, Workforce Investment Act Out of School Youth (OSY) Programs, Youth Conservation Corp Programs, and Youth Build – for the types of programs that federal recovery funding could support to serve this population. Leveraging these investments from federal stimulus dollars, we believe New York State should make the following investments to begin to halt the disconnected youth crisis:

- **Launch a Tomorrow’s Workforce Initiative (TWI).** Funding could support TWI pilot programs in at least four targeted areas across New York State—two upstate, and two in downstate (e.g. New York City) communities—that have high numbers of disconnected youth. Education, job training, workplace readiness and career development services will

be tailored to each participant's unique circumstances and skill levels, and complemented by stipended and paid work experiences as well as wrap-around supportive services in comprehensive programs that train out of school/out work individuals 18-24 to successfully join the workforce.

Funding for the TWI could come from state and federal sources. New York State should invest \$5 million in WIA discretionary funds for the program, and add an additional \$10 million from federal economic recovery sources. We anticipate that WIA Youth funding – for which NYS will receive an estimated \$56 million (according to estimates based on the House stimulus bill) – could be used for this pilot program.

- Provide an additional \$5k million for Young Adult Literacy Services. Funding could support four pilot programs for young adult dropouts who cannot return to high school and who are seeking to attain a GED but whose skills are too low to begin direct preparation for the exam. Investment in young adult literacy services is a necessary workforce development investment for young adults 16-24 who are not working nor in school, and have literacy levels below 7th grade. These programs would “graduate” participants into job training and placement initiatives.
- Enhancements to the NY system of GED preparation and testing – New York State has over two million individuals age 16-64 who are without a high school diploma or equivalent. Given increasing demand for high skills in the job market, we must do a better job of providing individuals a chance to build their skills and get a GED. Currently, New York ranks 48th in the country in terms of GED passage rates. According to a recent report commissioned by the New York City Department of Youth and Community Development, New York State needs to invest \$6.1 million to improve testing infrastructure. We also recommend an initial investment of \$10 million to improve service to prepare individuals for the GED and transition them from these programs into work or higher education.
- Young Worker Earned Income Tax Credit (EITC) - The EITC is a valuable work support for low-income individuals, lifting many families out of poverty. For childless workers age 25 and over, the combined federal and state EITC provides up to approximately \$569 for the current tax year (2008). However, workers under age 25 without children, including foster care youth who can file their own tax returns if they have any earned income during the year, even while living with a foster family, are still excluded from receiving this critical financial work support. Assemblymember Susan John has introduced legislation (A.11826 of 2008) which seeks to rectify this problem. By extending eligibility to the younger population, we could reward the contribution made by young adults to our State's economy and create an incentive for currently unemployed youth to enter the workforce. This legislation would provide a state-funded EITC to young low-income workers without children ages 17-24 who would be eligible for the EITC under the federal rules, but for the

minimum age requirement applied to childless workers. The estimated State cost based on 22,000 eligible youth in Year One would be \$1.4 million, assuming a 20% take-up rate.

V. **Ensure a robust unemployment insurance system.**

As more and more New Yorkers become unemployed, it is absolutely critical that our state's safety net – including our unemployment insurance system – is robust. To begin, we must ensure that our state's unemployment insurance staff stays in place so claims are processed in a timely manner. These staff lines are 100% federally funded. In addition, New York State's benefit levels are lower than every state except Alaska. We need to reform this system in an affordable, efficient way. We support the National Law Employment Project's (NELP) call to raise the benefit to \$572 a week (half of the average worker's wage) from the current \$405.