

**WASHINGTON STATE
WORKFORCE TRAINING AND EDUCATION COORDINATING BOARD
MEETING NO. 147
MAY 10, 2010**

**ON-THE-JOB TRAINING WAIVER REQUEST
TO INCREASE EMPLOYER REIMBURSEMENT RATES**

Overview

On April 12, 2010, the U.S. Department of Labor (DOL) released Training and Employment Notice (TEN) 38-09 announcing the availability of up to \$90 million in funding for competitive On-the-Job Training (OJT) National Emergency Grants (NEGs) funded through the American Recovery and Reinvestment Act of 2009 (ARRA).

The current recession has increased the number of layoffs across the nation, impacting the workforce system's ability to assist laid-off workers. DOL regards the impact of the recession on the nation's workforce as a significant dislocation event and is offering ARRA-related NEG assistance.

The focus of this initiative is job creation – DOL intends to expand OJT opportunities for harder to serve dislocated workers. The OJT program is a critical tool in supporting both dislocated workers and employers. Businesses will be able to expand and remain competitive with affordable OJT options uniquely designed to achieve their specific developmental goals. Dislocated workers will benefit from being able to earn competitive wages in high demand occupations while learning new skills.

To ensure that these NEG funds are committed by June 30, 2010, states must submit an initial application as soon as possible. The application must describe how states plan to select local areas for participation for the creation and implementation of the OJT program and demonstrate that the infrastructure to deliver services is in place.

DOL encourages states to include, as part of their application, a waiver request for employer reimbursement over 50 percent of the wage rate for extraordinary costs of OJTs. Extraordinary costs of OJTs include things like an employer's training costs, costs for supervising a new hire, equipment loss and/or breakage and other on-site training costs to bring a new hire up to full productivity.

Applications will be awarded on a first come, first served basis. If selected, states will have 60 days to develop and submit a detailed plan that:

- Identifies and addresses areas that have been disproportionately impacted by the current economic downturn with a focus on populations with the greatest barriers to reemployment.
- Provides OJT opportunities to those areas with the highest levels of poverty.
- Partners with and utilizes the expertise of Community-Based Organizations and other intermediaries to help identify businesses willing to provide meaningful OJT opportunities and to recruit OJT participants.

The Employment Security Department, in partnership with local Workforce Development Councils, has prepared an initial application. The State intends to design and deliver OJT opportunities through the WorkSource system. The State will expand the eligible population from enrolled dislocated workers to returning veterans and UI claimants who have exhausted all available benefits.

Federal Waiver Request

The State has prepared a waiver to increase flexibility in using Workforce Investment Act (WIA) National Emergency Grant funds by permitting up to 90 percent reimbursement of the extraordinary costs of OJTs (the waiver would not apply to OJTs affiliated with WIA formula funds). Many employers hard-hit by the current economic situation do not regard a 50 percent reimbursement to be a sufficient incentive to offer OJT opportunities. The waiver will make OJT a more viable option for Washington's employers.

Reimbursement would be provided on a sliding scale based on employer size as follows:

- Up to 90 percent for employers with 50 or fewer employees
- Up to 75 percent for employers with 51-250 employees
- For employers with 251 or more employees, reimbursement would remain at the 50 percent statutory level.

The waiver would be exercised by local Workforce Development Councils on a case-by-case basis as per the employer's circumstances and the skill profile of the prospective OJT participants.

Waiver Request Pros:

- More flexibility in creating OJT opportunities for harder to serve dislocated workers with the greatest barriers to employment.
- More small businesses could afford to hire dislocated workers through an OJT contract during the current recession.
- Increased business usage of the workforce system.
- Greater incentives for employers to hire new workers.
- Greater possibility for high quality, high wage jobs.

Waiver Request Cons:

- Employers that require a greater than 50 percent reimbursement may lack the long-term ability to retain the OJT employee post-hire.

Board Action Required: Consideration of Recommended Motion.

RECOMMENDED MOTION

WHEREAS, The U.S. Department of Labor invites states to apply for On-The-Job Training National Emergency Grants funded through the American Recovery and Reinvestment Act of 2009; and

WHEREAS, The U.S. Department of Labor strongly encourages states to waive the reimbursement level for on-the-job training activities under the Workforce Investment Act Title I for the purposes of the American Recovery and Reinvestment Act On-the-Job Training National Emergency Grant; and

WHEREAS, A waiver would encourage Washington employers, particularly small employers, to provide on-the-job training opportunities they might not otherwise consider or be able to sponsor during this period of considerable economic challenge; and

WHEREAS, A waiver would provide on-the-job training opportunities to long-term unemployed dislocated workers during this challenging economic period when such opportunities are scarce;

THEREFORE, BE IT RESOLVED, That the Workforce Training and Education Coordinating Board approves the submittal of a waiver request to the U.S. Department of Labor to expand the on-the-job training reimbursement level from up to 50 percent to up to 90 percent for dislocated workers served under the American Recovery and Reinvestment Act On-the-Job Training National Emergency Grant.