Statement of
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Before the Senate Employment and Workplace Safety Subcommittee,
Committee on Health, Education, Labor and Pensions

"Job Corps Budget Shortfall:
Safeguarding Workforce Training for America's Disconnected Youth"
Tuesday, March 12, 2013

Good afternoon, Chairman Casey, Ranking Member Isakson, and distinguished members of the Subcommittee. Thank you for this opportunity to discuss the budgetary challenges currently faced by Job Corps. As Assistant Secretary for the Employment and Training Administration (ETA), I am responsible for the Job Corps program and take your concerns very seriously. Today, I will offer some context for the current situation, discuss some of the causes, share what we have learned, what we are doing to address these issues, what we could have done better, and how we are working to strengthen the Job Corps program moving forward.

Job Corps provides a unique opportunity for disadvantaged young people to take control of and steer their lives in a positive direction. Students ages 16 to 24 in both residential and non-residential settings attend academic and vocational classes, earn industry-recognized credentials, and learn critical life skills in preparation for a good job, continued education or military service. Job Corps has helped improve the lives of almost 1.5 million students since the program began nearly five decades ago. Today's competitive job market and unemployment rates among young adults ages 16 to 24 make Job Corps more important than ever.

ETA administers Job Corps through 147 contracts for the program's 125 centers and educational and vocational programs. Private contractors operate 97 centers and the U.S. Department of Agriculture (USDA) runs the remaining 28 centers.

Although Job Corps has faced financial pressures, it experienced particular problems in program year (PY) 2011. Several factors contributed to the problems in PY 2011, including growth in expenditures, such as student-related expenditures and those associated with the opening of three new Job Corps centers in Program Year (PY) 2010 and PY 2011, and serious weaknesses in Job Corps' financial management processes that led to a failure to identify and adjust for rising costs in a timely manner. In PY 2012, Job Corps is again experiencing financial difficulties because the initial cost-savings measures we took were not sufficient to allow the program to stay within its appropriated amount without additional actions.

Growth in expenditures during this period occurred in several ways. For example, Job Corps opened three new centers in PY 2010 and PY 2011 on a delayed schedule. Funding that had been provided to Job Corps to cover the costs of operating these centers in prior years was no longer dedicated to these sites as a result of the delays, and we did not appropriately plan for the increased costs resulting from opening these centers when we did.

Additionally, ETA invested approximately $13 million in PY 2011 to turn Job Corps into a training program where students gain the industry-recognized credentials they need to meet the demands of the 21st century employer. In order to make the credentialing initiative successful, there was substantial investment in one-time costs, such as faculty training, books, accreditation, and other industry-related costs. As a result of these efforts, in PY 2011 77.3 percent of Job Corps students earned over 39,000 credentials in 157 programs areas. This reflected a significant increase from PY 2010, in which 46.8 percent of students earned an industry-recognized credential.

While these and other costs increased during the course of PY 2011, the extent of Job Corps' financial difficulties went unrecognized. This is largely because Job Corps lacked appropriate program monitoring tools and control protocols, including those to sufficiently analyze contractual spending trends. In turn, this led to inadequate spending projections for the Operations account. Furthermore, Job Corps operates primarily through cost-reimbursement contracts which require close, ongoing oversight by Job Corps in order to manage or predict costs for future periods. The weaknesses in Job Corps program monitoring tools and protocols combined with its heavy reliance on cost-reimbursement contracts contributed to the challenges we faced and continue to face in addressing these difficulties.

As you know, Congress provided ETA with authority in PY 2011 to transfer up to $26.2 million in funds from the Job Corps Construction, Rehabilitation and Acquisition account to the Operations account. In April 2012, I concluded that Job Corps would need to transfer this full amount in order to finish the program year within the budget. At the end of May 2012, I notified the then-Secretary of the need to transfer the funds. It also became apparent that this transfer would not be sufficient to meet PY 2011 operating needs.

Thus, ETA obtained approval from the Office of Management and Budget in June 2012 to transfer up to an additional $5.37 million from the Training and Employment Services and State Unemployment Insurance and Employment Service Operations accounts to the Job Corps Operations account. The Department notified the Appropriations Committees of its intent to transfer these funds. In the end, only $2.2 million of this initial request was transferred to Job Corps' Operations account.

In addition to two funding transfers in PY 2011, we implemented a variety of programmatic changes to control costs. These changes focused on non-mission critical administrative expenses to ensure that student academic, career technical training, and post-graduation placement activities were not affected. These included negotiating across-the-board cost-savings targets with each Job Corps center to de-obligate PY 2011 funds and suspending enrollment for new students in the month of June, except for homeless youth. We also conducted additional oversight on travel by requiring center operators to report all bus and airfare travel directly to the national office prior to arranging travel with ticketing agencies. This allowed for real-time accounting of travel costs for the month of June. We also required Job Corps center operators to submit their financial reports every three days during the month of June.

At the same time, we implemented several initiatives to strengthen and coordinate existing controls and created new controls where appropriate to track contractor expenditures and ensure adequate funding throughout the rest of PY 2011. On May 22, 2012, the Department established a Job Corps working group within DOL to provide weekly oversight of the remediation efforts during the end of PY 2011. In addition, in June 2012, then-Secretary Solis requested that the Inspector General perform a comprehensive review of the Job Corps financial control system. That review is ongoing and we look forward to receiving the results.

We understood at the outset of PY 2012 that we needed to take measures to ensure that program obligations remained within Job Corps' appropriated levels. Even before the program year started, we began to develop a comprehensive plan for cost-cutting measures, which we updated throughout the program year.

Given our strong interest in not reducing student services and minimizing disruption to the Job Corps program, we proceeded cautiously in evaluating and implementing cost saving measures in PY 2012. In retrospect, it is clear that we did not act as quickly or decisively as circumstances required.

Although they ultimately were insufficient, we took several significant steps throughout PY 2012 to gain better control of Job Corps' expenses. For example, in August a newly-created Office of Financial Administration (OFA) within ETA, headed by a Senior Executive Service-level Comptroller, began operating. OFA oversees the now-centralized budget and financial operations of Job Corps and works with ETA's Office of Contracts Management (OCM) to ensure that Job Corps accounts in a more timely and accurate way for costs incurred in its cost reimbursement contracts. After OFA began operating, we developed initial targets for both savings and what we believed would be a sufficient reserve for the Job Corps program. We also eliminated a contract for accounting services within the Job Corps Operations account, reduced USDA costs, and negotiated with contractors to identify additional cost-savings measures. The added cooperation between OFA and OCM has resulted in significant improvements in the financial oversight of Job Corps and helped Job Corps identify potential funding concerns at an earlier stage than last year.

In September 2012, the then-Secretary approved several additional measures for PY 2012: reducing new student biweekly stipend and transition pay to graduates, suspending enrollments in late November and December, centralizing student transportation costs, and reducing select national academic support contracts and career technical support contracts. In October 2012, we issued guidance informing the Job Corps community that we would be suspending enrollment from November 26 through December 31, 2012.

Despite these cost-cutting measures, our analysis of data in November showed that Job Corps would need to implement additional savings because costs were again exceeding budgeted amounts. Therefore, in December, we took additional steps, including eliminating the student stipend for days when a Job Corps student is not present for duty, which took effect immediately, and reducing the student clothing stipend, effective January 1, 2013. We reduced Job Corps' national media buy by $4 million for PY 2012. In mid-December, we increased the student to teacher ratio from 15:1 to 18:1 in order to save costs, while properly accounting for the special academic needs of at-risk youth.

In January 2013, we also issued guidance to reduce health care-related costs, including by modifying the current health staffing requirements, adjusting the hours for center physicians, dentists and Training Employee Assistance Program specialists based on center usage, and requiring applicants to provide a current record of immunizations in order to eliminate duplicative care. We continued our work to cut administrative costs. Among other things, we have issued a solicitation that we anticipate will help Job Corps right-size its career technical training programs and we are exploring the best way to centralize utility and other procurements.

As you may know, the Department has initiated a process to close a small number of chronically low-performing Job Corps centers in PY 2013. This process was initiated as part of a larger reform effort to improve program outcomes and increase accountability. While we expect some savings as a result of these closures, until we know which centers will be closed, we will not be able to determine how much money may be saved as a result.

Notwithstanding these efforts to reduce costs for PY 2012, as of the beginning of January 2013 we continued to project insufficient cost savings to remain within budgeted levels for the program year. On January 18, 2013, Job Corps instructed all centers to temporarily suspend outreach and admission activities, effective January 28, except for runaway, homeless and foster care candidates. The length of the suspension will be determined by the time it takes to achieve the necessary savings. Among other things, we will need to determine and maintain sustainable levels of enrollment and program delivery going forward.

The decision to temporarily freeze Job Corps enrollment nationwide was extremely difficult. It came after we implemented many alternative cost-savings measures, albeit insufficient ones. We also considered other alternatives (e.g., an abbreviated program year) before deciding to implement the temporary enrollment freeze, but ultimately rejected these and other options because of their more harmful effect on the Job Corps program and the students that it serves as well as the insufficient savings we would have obtained. Our conclusion was that the most certain and least detrimental savings Job Corps could achieve for the remainder of PY 2012 was from the temporary suspension of enrollment. Savings from this measure primarily will be achieved through modifications to center operations and Outreach and Admissions contracts. As those negotiations are currently ongoing, we do not yet have final cost savings figures. We anticipate that the results of these negotiations will be reductions in center expenses and the costs for Outreach/Admissions contracts for PY 2012. We will also achieve savings in student stipend and transportation costs.

Notwithstanding the temporary enrollment suspension, as of March 1, Job Corps continued to serve over 39,000 enrolled students – down from 44,268 that were enrolled on January 28. With the suspension of new enrollments, Job Corps will be able to keep its commitment to students who are already in the program.

In closing, the Department deeply regrets the current situation facing the Job Corps program. I personally take responsibility for not acting more quickly to ensure that the program was operating within its appropriated levels. The decision to temporarily suspend enrollment at all centers is a balanced and efficient way to achieve the savings needed to ensure we stay within our PY 2012 budget. We recognize that a comprehensive review of the Job Corps program, contracting, budget, and management is needed, and are undertaking such a review. We are committed to improving and strengthening the Job Corps program, and aligning it with its appropriated funding. I would like to reiterate our priority of working with the Committee and the contractor community to place the Job Corps program on strong fiscal footing. I continue to believe that Job Corps is an important program, and I would note that Administrations from both parties have supported the Job Corps program over many years because it provides needed training and guidance to troubled youth. It is disheartening to report these challenges, but I believe we can do better and we must. I appreciate the opportunity to share information with you and I look forward to your questions.