
DEPARTMENT OF EMPLOYMENT SERVICES

Proposed FY 2013 Budget Hearing



Testimony of Lisa María Mallory
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COMMITTEE ON HOUSING & WORKFORCE DEVELOPMENT
Councilmember Michael A. Brown, Chairman

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Proposed FY 2013 Budget Hearing
Committee on Housing & Workforce Development

Good afternoon Chairperson Brown, members of the Committee on Housing & Workforce Development and members of the public. I am Lisa María Mallory, Director of the D.C. Department of Employment Services (DOES). Today, I am pleased to testify before you in support of Mayor Gray's proposed FY 2013 budget for the Department. Having participated in the Mayor's budget development process, I recognize that his submission reinforces the District's continued growth and prosperity. The Mayor's proposed FY 2013 budget also supports the delivery of enhanced services to District residents and promotes access to all, allowing those from the city's diverse neighborhoods and communities to "seize our future." Joining me today is Cyril Byron, the Associate Chief Financial Officer of the Economic Development and Regulation Cluster of the Office of the Chief Financial Officer, and Curtis Lewis, the Agency's Fiscal Officer in the Office of the Chief Financial Officer. Both of these gentlemen have budget responsibility over DOES.

I want to thank Mayor Gray for his leadership and I am grateful to you Chairman Brown for your support of the agency as it undergoes transformation and to the employees of DOES who work tirelessly to serve District residents and support agency change. There are many accomplishments to date which we've highlighted at the agency's performance hearing, but we also know there is much more work to be done. I also thank the public witnesses and organizations who testified

today for their feedback as it helps to strengthen the agency. As we approach FY13, I am confident that we can continue to tackle the significant challenges while we meet our mission – to put people to work.

As this Committee knows, the Office of the Chief Financial Officer has oversight of DOES' budget. After I was appointed Director in April 2011, I realized that transformation of the budgeting process for DOES was paramount. The CFO's cumbersome financial system historically caused lags in entering U.S. Department of Labor grant dollars causing poor end of year reconciliations and a lack of timely burn rate reports, which was particularly troubling since it caused return of DOL funds. Since then, the CFO's office has stated that they are committed to replacing their cumbersome system in the near term and we've seen some improvements to the problems identified by working with the Mayor's Office, this Committee, the Office of the Chief Financial Officer, and the U.S. Department of Labor to build a more transparent and effective budget and financial process. I look forward to continuing this close relationship so we can ensure that the agency's budget is as transparent and efficient as possible, not only to allow the agency to run well-organized programs but also to ensure that the stakeholders in this room – and District residents – know how the District's precious resources are being spent. I look forward to greater visibility into the agency's budget in FY13.

The agency's proposed budget for FY13 is \$122 million. Of this amount, \$47 million dollars are local, \$30 million are special purpose funds, such as

workers' compensation, and \$42 million are federal grants or payments. The Mayor's proposed budget for DOES reflects a \$6.6 million increase in local funding and continues Mayor Gray's strategic investments in workforce development. DOES' FY 2013 budget also includes a \$2 million federal payment for pilot programs to support workforce development efforts in the District of Columbia. The Deputy Mayor for Planning and Economic Development's budget for the Workforce Investment Council also includes \$1.6 million in local funds to support the Workforce Intermediary – an initiative outlined in the law proposed by this Committee and a best practice in workforce development. The workforce intermediary will better prepare and match 300 DC residents to opportunities in hospitality and construction.

As this Committee knows, DOES faces several potential cuts to the FY13 budget due to reduced federal funds. The budget before you addresses these reductions by using local funds to cover expected losses in the federal Workforce Investment Act and Wagner-Peyser, which support the city's DC Works! One-Stop Career Centers and the agency's employer services.

In addition to increased local funding to DOES to maintain service levels, the agency continues to undergo a full review of all programs and services to identify efficiencies that result in improved services. For example, DOES recently relocated over one-hundred (100) DOES employees from 64 New York Avenue, NE, to our headquarters on Minnesota Avenue. We did this in response to increasing lease costs at the New York Avenue space -

\$47.50 per square foot versus \$11 per square foot at our headquarters – so that we are not unduly taxing the Workers’ Compensation Trust Fund. These operational enhancements allow us to save upwards of \$47 million dollars over ten (10) years from this fund and will benefit contributing employers. And, importantly, by co-locating these programs at our new, LEED-certified, ADA-compliant headquarters, we believe that we will provide more organizational synergies, better customer service, enhanced technology, and better working conditions for our employees. The agency has not had all of its major units in one building in decades. As the agency continues its transformation, this proximity becomes an extremely beneficial management tool, which I will maximize to foster improvements in the Workers’ Compensation, Wage and Hour, and Occupational Safety and Health programs.

Another efficiency measure the agency is undergoing is taking a serious look at the training providers who are funded through the agency. Most states solely rely on federal funds to pay for training, but the District is fortunate to receive local funds, thanks to the Council and Mayor Gray, to support adult training programs. These dollars are extremely precious, and as the agency undergoes transformation, ensuring that these funds are protected and properly spent is a key goal.

The review of training providers has revealed that many of them have been arbitrarily funded in the past, and they have not met performance measures and DOL mandates that ensure individuals are training in high

demand occupations. Some training providers even receive direct funding year after year without any job placement measures. Since my appointment as Director, the discovery of this poor use of public funds remains one of my biggest priorities to fix. We discovered that District residents sat in training with Maryland and Virginia residents, yet the District paid twice the amount for the same training. In April 2011, I reduced the ceiling on individual training accounts (ITAs) from a maximum of \$8,000 to a maximum of \$4,000 to ensure that the District is competitive with our neighboring jurisdictions. Training providers were also credited for placing people in jobs that were not remotely related to the training offered – a true disservice to customers and a poor use of precious training dollars.

In addition to lowering the cost for District-paid training, I also issued a policy to ensure that training providers are only paid for the time individuals spend in training. No longer are training providers paid for the duration of the course when an individual drops out one week into the training. Enforcing this policy is critical to ensure that funds are available for those who want to complete training. I have also initiated an independent audit of the programs funded by the Workforce Investment Act and Wagner-Peyser dollars to fully understand how training providers were funded in the past. The audit will help the agency ensure that the training provider process meets the U.S. Department of Labor requirements while maximizing the training opportunities for District residents that result in a

job in the area in which the person receives training – high growth industries.

Finally, I am pleased that Mayor Gray has revitalized the Workforce Investment Council. This primarily business-led group will be critical to the success of the District's workforce investment system and is charged with establishing eligibility standards for the District's federally funded training providers. I look forward to working closely with this body to further improve the training provider process.

Another budget saving exercise the agency is undertaking are the actions to eliminate fraud, waste, and abuse. As has been reported, the department discovered instances where DC government employees were frequently collecting unemployment insurance. The initial review found that 130 District employees were collecting while working in 2010 and 2011. DOES, in conjunction with the Office of the Attorney General, the Office of the Inspector General, the U.S. Attorney, and the Department of Human Resources determined that only 93 of those initially identified were fraud cases (some were not long enough to be considered fraud).

DOES continues to broaden the investigation as part of DOES' ongoing review of all programs and operations. We continue to refer individuals who are identified to the proper investigatory agency. While it is unknown how much the District will be able to recover at this time, the District intends to use all available methods to recover these funds including the

ability of the Office of the Attorney General to seek refunds through civil action as well as DOES' ability to intercept individual income taxes and wages. DOES is also increasing prevention, detection, and collection of improper UI benefits payments, including technology-based and system infrastructure changes and enhanced employee training.

I would be remiss if I didn't mention our efforts to build on last year's successful Summer Youth Employment Program. I am repeatedly impressed at the level of professionalism in the Office of Youth Programs. The employees in that unit, and those in the agency who support SYEP, have created a seamless operation. Last year, the program came in under budget and this year, the program will increase and the program is on-target for spending, including an 8% administrative cost.

Youth continue to be required to submit their documents to verify age, DC residency, and identity, and we use this important mechanism to ensure the youth are eligible to participate as an opportunity to build responsibility in youth. As the Mayor has stated, he is committed to ensuring that every youth who wants a job, gets a job but he refuses to set an arbitrary number of participants or to blow the budget. I am equally committed to this goal which is why, for example, there have been many youth who were not able to demonstrate residency during the certification process and therefore declared ineligible to participate, which opens up spaces for youth who can demonstrate residency and come off the wait-list. This not only helps to ensure that the program stays on budget, but it also ensures that the process is fair and enables us to serve as many District youth as we possibly

can. We look forward to the next steps in the program. Youth are currently building their resumes at workshops or by using an on-line resume builder tool as well as identifying jobs that interest them so we can better match them with employers. All youth – with the exception of youth attending colleges outside of the DC metro area – are required to attend a career exploration fair on April 5 and 6.

I'm going to close by thanking Mayor Gray for his vision for workforce development and commitment to this agency, which has been long-neglected. As I have said before, without his leadership, the hard work of reforming the District's workforce development system simply will not get done. Since its launch in September, over 2,500 DC residents have returned to work thanks to the success of *One City · One Hire*. I look forward to building upon this success and working with this committee and those who are here today to continue to best serve the residents of the District of Columbia.

Thank you again for this opportunity to testify. I look forward to answering your questions.