House Subcommittee on Higher Education and Workforce Training
Hearing on "Putting America Back to Work: Reforming the Nation's Workforce Investment System."
Remarks of Todd Gustafson
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Chairman Foxx, Ranking Member Hinojosa, and Members of the Subcommittee. Thank you for the opportunity to testify before the subcommittee. I am Todd Gustafson, and I am the Executive Director of Michigan Works! Berrien – Cass – Van Buren, the workforce investment board serving the southwest corner of Michigan.

Michigan Works! Berrien – Cass – Van Buren

Our mission is to serve as change agents to create solutions for business, workforce and community challenges to promote the economic vitality in the Southwestern Michigan region. Our service region includes 278,000 people and covers both rural and urban areas, including Benton Harbor, one of the poorest cities in the state of Michigan. We are a market-driven organization where we strengthen business. Our customer is the employer, which in turn has enabled us to serve more people and better assist job seekers. Each year we serve nearly 5,000 employers and over 20,000 job seekers. Our annual budget, which is diversified amongst 41 different funding sources, ranges between $13 and $16 million. Last year alone, we matched 3,100 job seekers to jobs, trained nearly 650 people and raised $3.5 million to integrate with our federal funds.

Perhaps most importantly, we pride ourselves on being social entrepreneurs. Federally funded programs are the foundation on which we've built self sustaining initiatives that address our communities' problems through an integrated approach to business, workforce and community development.

The Need for Reauthorization

I applaud the Members of the Committee for introducing Workforce Investment Act (WIA) reauthorization legislation this year. As you are aware, reauthorization is long overdue and while we politically struggle to retool our workforce system global competitors, like China, India and Brazil, who are heavily investing in their workforce, are gaining a competitive advantage. The time for action is now.

If reauthorization is accomplished it will help provide U.S. companies a competitive advantage in the global economy; enhance the skills of the nation's workforce; reduce the budget deficit; and allow for a more strategic, flexible and impactful use of limited resources.

The most recently introduced SKILLS Act is a step in the right direction toward achieving those objectives. I've been asked to provide comments on some of the proposed reform concepts in the SKILLS Act.

Streamlining Federal Job Training Programs

Eliminating and streamlining the existing 35 federally funded workforce programs is vital to upgrading the nation's workforce system. The system has to change. And the system has to adapt as other thriving industries and organizations have done.

It's equally important Congress has recognized streamlining and consolidation begins with them. The practice of appropriating many new and siloed programs fosters redundancy, increases costs, inhibits innovation and undermines outcomes.

Streamlining or consolidation, however, is not a new concept. Take Michigan for example. At the inception of WIA in 1998, Michigan created a workforce system where the multiple federally funded employment and training related programs were consolidated at the local level. In fact, Michigan's workforce system was one of the first systems in the nation to integrate multiple programs, such as the Workforce Investment Act, Employment Services (Wagner-Peyser), Trade Assistance Act, Food Training and Employment (Food Stamps) and even Temporary Assistance for Needy Families (welfare) at the local level.

This delivery model has enhanced the workforce boards' operational efficiency, increased fiscal transparency, and most importantly, improved our impact with employers, job seekers and our local economies. The states with disparate delivery systems often create employer and job seeker confusion, dissatisfaction and little strategic impact. Michigan's model has worked and has regularly outperformed other states, including the WIA's 17 performance measures and in number of businesses and individuals served.

Taking this a step further to the local level, we have used this model as an opportunity to further diversify our local funding in order to make a more significant strategic economic impact. Over the past five years we have, on average, raised nearly an additional $3.5 million to integrate with our federal funding. In fact, at one point our local share of WIA money equated to nearly

70% of our total budget. After more integration and diversification it now accounts for only about 35%. The difference though, is our nearly 41 different funding sources, are integrated to strategically impact our region. We've also seen important ancillary operational benefits from the consolidation. We're able to more efficiently absorb financial cuts or uncertainty, spread infrastructure costs across multiple sources and have increased fiscal accountability and transparency.

Again, streamlining employment and training programs into a single fund has already been done in places like Michigan. The model works. I support the concept of creating an overarching Workforce Investment Fund at the federal level. If done equitably with the interests and needs of the states and the locals included in the design it can work. And although the Michigan model works, continuous improvement via the elimination and streamlining of funding streams at the federal level will further benefit Michigan's workforce system.

Strengthening Business Engagement in Workforce Investment Boards

For boards to have the greatest strategic impact and productivity they have to be business led and be a manageable size. Locally run and accountable boards governed by the end-user of the system –business –make the system more responsive, innovative and less bureaucratic.

Eliminating the 19 federal mandates on representation will further strengthen business engagement. Requiring two-thirds of board members to be employers will enhance the shift from a supply side designed system to a demand or market driven system.

Mandating board representation stifles board member recruitment and often forces the creation of large unmanageable and unengaged boards. Eliminating mandates will also help attract higher caliber local business and community leaders who otherwise feel disempowered and ultimately uninterested among a large unfocused group. Smaller boards are a best practice in both the private-for-profit and non-profit sectors and should be applied to the government's workforce system.

The most highly functioning organizations are governed by boards with quality, engaged leaders and are manageable in size and have regular input from a diverse cross section of community leaders.

Create a Seamless Workforce Development System

Redesignation is potentially the most controversial concept in the reform legislation. While it is reasonable for states to have the ability to develop their own workforce systems, it should not be at the expense of local input. Afterall, the right to "self determination" and being locally responsive are two important aspects of the system's strengths.

When a workforce investment board's service area prohibits a regionalized economic growth strategy or is no longer optimal because of contemporary labor market trends, there should continue to be an equitable process between the state and local board to negotiate a service region.

Moreover, increasing governors' authority to dictate the boundaries of workforce development service areas would undermine the intent of the legislation to strengthen the system through business engagement. It's the local business-led boards who best understand the dynamics of their economy and generally, like the market, ignore politics. Cutting these local leaders out of the process or reducing their influence would potentially inject divisive politics, exactly at the time, when local leaders should be focused on doing what's best for the local economy.

Take for example, the region we serve. It's a three country area with a population of 278,000 people. Our neighboring workforce board serves an area with 314,000 people. Under current WIA legislation, the governor has the ability, working with the locals, to redesignate our service areas into one. Both politically and practically this may appear to make sense and, in WIA, a process exists to make it happen. Even though, we explored a potential merger, it was ultimately determined, by our business-lead boards and local elected officials, it wasn't a good idea. Although the regions are somewhat similar, the needs of the communities within the greater region are different. Only the locals could recognize that the two organizations had different focuses, philosophies and missions. A merger would have detracted from the work both organizations were doing.

Some service regions may need to be, or should be, altered or redesignated. However, without a collaborative process between the state and locals the potential to divide communities and waste precious time, energy and resources increases. Its imperative there is an equitable redesignation process between locals and the states to minimize politics and service disruption.

Require Strategies that Serve Various Populations

Requiring strategies to serve various populations is an important concept in the reform legislation. Addressing it though, starts with the workforce investment boards being business-led and demand driven with business as the customer. These are the first two critical steps in developing a strategy that best serves disadvantaged populations. Although we sometimes get push back from our peers for being demand driven, we've actually done more to serve, match to jobs, train and provide opportunities to disadvantaged populations.

Demand driven is generally to be misunderstood as 'creaming' only the best or leaving behind disadvantaged populations. That's false. Being demand driven starts with knowing what the customer needs and finding people today and in the future to match those evolving requirements. But first, you have to know who the customer is. We don't 'cream' for our services or programming. We've actually improved or added services and programming for job seekers, especially disadvantaged people, based on the gaps created by the disconnect between our labor market demand and supply.

One of our highly encouraging examples is our Bridge Academy. This is an alternative school we created cobbling together and streamlining 13 different public and private sector funding sources, including WIA. We built it based on the recognition the at-risk youth we were serving weren't prepared educationally or vocationally for the needs of regional employers. We equip them with either a GED or High School Diploma, vocational experience, work experience and ultimately a job. As a result of this complex but important effort, we now have the opportunity to really make significant transformation with the most in-need populations and in the most challenging areas in our region.

Thank You

Thank you for the opportunity to testify before the Subcommittee. On behalf of Michigan Works! Berrien-Cass-Van Buren, including my board chair and business owner, Jim Kodis, who is here, we thank you for the opportunity to tell our story. We strongly believe in improving a business-led, demand or market driven workforce system that encourages and rewards innovation, efficiency, accountability and makes a strategic regional impact. The concepts I commented on will undoubtedly make our nation more globally competitive; enhance the skills of our workforce; reduce the budget deficit; and make better use of our limited resources.