

22-01 FINAL REPORT:

Unemployment Insurance Training Benefits Program

LEGISLATIVE AUDITOR'S CONCLUSION:

ESD's administration of the Training Benefits Program complies with statute. However, the Program caused most participants to earn less than their peers over time.

January 2022

Executive Summary

The Legislature created the Training Benefits Program (Program) in 2000. The Legislature's stated intent was to make retraining available to unemployed individuals whose skills were no longer in demand, target training to high-demand occupations, and enhance the individual's marketable skills and earning power.

The 2011 Legislature directed the Joint Legislative Audit and Review Committee (JLARC) to review the Program every five years. The review must include compliance with legislative intent, effectiveness in improving employment outcomes, efficiency, and recommendations for improvement. JLARC's [first review](#) was completed in 2016.

Training Benefits Program administration complies with legal requirements

The Employment Security Department (ESD) administers the Program, which provides up to 26 additional weeks of unemployment benefits to participants while they train for high-demand occupations. Participants must enroll in an approved training program and maintain satisfactory progress to receive benefits. The Program does not pay for the cost of tuition, fees, or books. Participants are not required to search for work while enrolled in the Program.

Statute (RCW 50.22.155) specifies criteria that ESD staff must use for determining whether an applicant is eligible for the Program. ESD requires staff to verify the information and has technology in place to ensure that staff comply with the agency's application review procedures.

Training Benefits Program Averages for Fiscal Years 2016-19

- 1,480 applications approved per year.
- \$10.4M paid per year.
- \$0.95M administration costs per year.

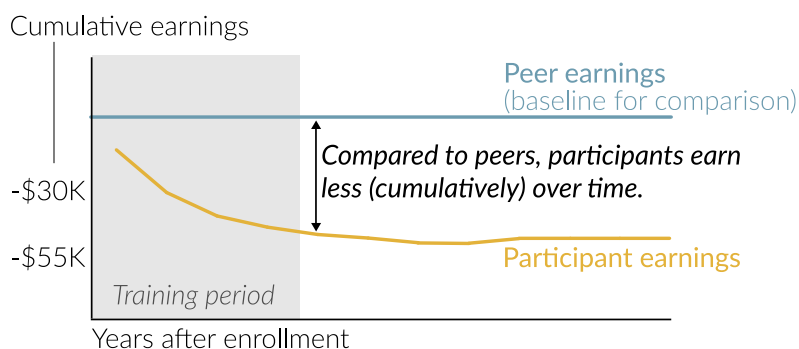
ESD implemented the majority of the 2016 JLARC recommendations

JLARC's [2016 report](#) recommended that ESD develop a plan and associated cost estimate to improve its Program administration in four areas. ESD has taken steps to implement the recommendations.

2016 Recommendation	Current Status
Improve guidance to partners (i.e., WorkSource and Community and Technical Colleges)	Implemented. ESD reinstated funding for its positions at colleges, provided training, and holds regular information sharing meetings.
Establish quality assurance review	Implemented. ESD created a tool and process to ensure consistent decisions about applications. ESD suspended the process during the pandemic.
Improve timeliness of decisions	Partially implemented. ESD took steps to improve timeliness, but time to adjudicate continues to vary.
Clarify application	Partially implemented. ESD revised the application but did not change certain questions that participants found confusing.

The Training Benefits Program caused most participants to earn less than their peers over time

ESD conducted a net impact analysis to determine whether participants had better earnings outcomes than nonparticipants. The evaluation estimates the effects of the Program for 30,164 people who began participating between 2002 and 2016. The analysis found that the Program caused participants to earn less than their nonparticipating peers.



- For participants who enrolled after 2003, earnings dropped sharply during training, then lagged nonparticipating peers' earnings in the years after training.
- Overall, in the years after training, participants earned an average of \$3,621 less per year than their nonparticipating peers.

JLARC staff worked with a consulting labor economist who independently concluded that ESD's methods were credible.

ESD and its partners provide resources, but applicants must determine risk of reduced earnings

ESD, WorkSource, and the Community and Technical Colleges (CTC) staff offer resources to inform applicants about the application process and to help them identify eligible careers and training. However, applicants are responsible for researching the options, choosing the career or training program, and assessing risks associated with retraining. Risks include foregoing earnings while training without a guarantee of higher wages in the future. ESD and partner agency staff do not advise applicants on these matters.

Legislative Auditor recommendations

Because the Training Benefits Program is not meeting the Legislature's stated objective to enhance participants' earning power, the Legislature should consider eliminating or modifying the Program.

ESD and OFM partially concur with this recommendation. SBCTC supports modifying the Program. You can find additional information in Recommendations.

Committee Action to Distribute Report

On January 4, 2022 this report was approved for distribution by the Joint Legislative Audit and Review Committee. Action to distribute this report does not imply the Committee agrees or disagrees with Legislative Auditor Recommendations.

REPORT DETAILS

1. Program provides extended unemployment benefits

Training Benefits Program provides extended unemployment payments

In 2000, the Legislature created the Training Benefits Program (Program) within the Employment Security Department (ESD). The 2011 Legislature directed the Joint Legislative Audit and Review Committee (JLARC) to evaluate the Program every five years. The evaluation must include compliance with legislative intent, effectiveness, and efficiency. This is JLARC's second review.

Training Benefits Program provides extended unemployment payments

The Program provides up to 26 additional weeks of unemployment benefits to participants while they train for high-demand occupations¹. Examples of current high-demand occupations are medical assistants, HVAC installers, and computer user support specialists.

¹A list of occupations that are in demand or in decline. The list, which is maintained by ESD, is used to determine which occupations participants can train for.

- Participants must enroll in an approved vocational training program and maintain satisfactory progress to receive benefits. Participants are not required to search for work while enrolled in training.
- The Program does not pay for the cost of tuition, fees, or books.
- From fiscal year 2016 through 2019, ESD approved an average of 1,480 applicants each year. These participants received an average of 16 weeks of additional unemployment benefits.

Employer taxes fund the training benefits

ESD pays benefits to participants from the Unemployment Insurance Trust Fund. The fund paid an annual average of \$10.4 million in training benefits from fiscal year 2016 through fiscal year 2019.

The Program is funded by the shared (social) component² of the unemployment tax paid by Washington employers. Employers do not pay an increased tax rate if former employees participate in the Program. Due to the COVID-19 pandemic, the 2021 Legislature capped the social tax rate at 0.5% in 2021, with the rate increasing gradually to 0.9% in 2025.

ESD spends about \$1 million per year to administer the Program. This is paid from ESD's Employment Services Administrative Account.

2. Participants earned less than peers over time

The Training Benefits Program caused most participants to earn less than their peers over time

The Legislature's stated intent for the Training Benefits Program (Program) includes enhancing the earning power of participants (RCW 50.22.130).

ESD conducted net impact analyses in 2015 and in 2021 to evaluate effects on participants' earnings

In 2015, the Employment Security Department (ESD) released a net impact analysis of the Program. It found that participants who enrolled in 2002 and 2003 experienced higher earnings after training and that those who enrolled in later years did not. Overall, ESD's 2015 analysis found that participants earned an average of \$482 less per year than their peers who did not participate.

JLARC's 2016 report noted that additional research was required to know whether the results were caused by poor macroeconomic conditions during the Great Recession, as suggested by ESD, or by other factors. The Legislative Auditor recommended that ESD explore possible causes why the Program did not have more positive impacts on participants' employment and earnings.

²Governor-appointed board addressing workforce development in the state.

In response to this recommendation, ESD conducted a follow-up net impact analysis of the Program in 2021 (see Appendix A). The 2021 analysis estimates the causal effects of participation for 30,164 people who enrolled in the Program between 2002 and 2016. ESD included additional data for the 2021 analysis, such as participants' educational histories.

Independent review by JLARC contractor concluded that ESD's 2021 evaluation methods are credible

ESD used a statistical matching method to compare participants to nonparticipants³ who had similar personal characteristics and work histories (peers). The analysis grouped participants and nonparticipants into cohorts according to the year they enrolled. After matching, ESD's economists used regression models to estimate the effect of participation on earnings and employment.

JLARC staff contracted with an economist with the W.E. Upjohn Institute for Employment Research to independently review ESD's net impact analysis (see Appendix B). The economist had a high level of confidence in ESD's methods and results.

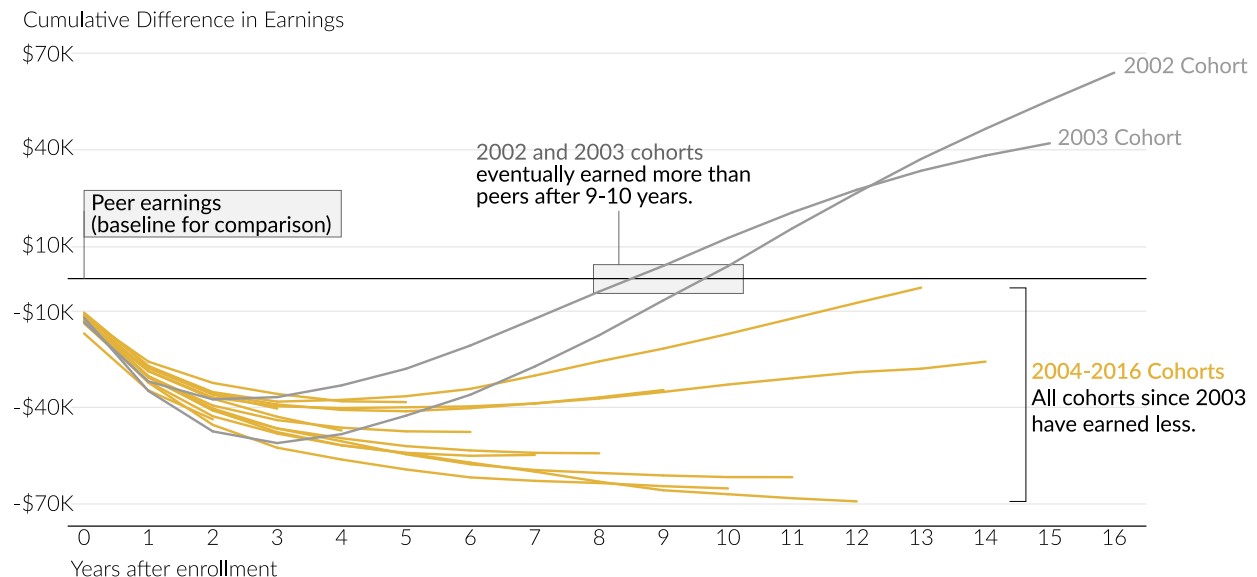
ESD's 2021 net impact analysis found that, in general, the Program did not enhance participants' earning power

ESD's 2021 net impact analysis compared participants' earnings to the nonparticipants' earnings. Most participants who enrolled after 2003 experienced a sharp drop in earnings during training. Their earnings lagged nonparticipating peers' earnings in the years after training. The cumulative earnings for participants was less than nonparticipants for each cohort⁴. The repetition of this pattern across cohorts and the use of statistical regression analysis confirms that the negative effect on earnings reflects the Program and is not a result of methodology choice, random chance, or the effects of the Great Recession.

³People who claimed unemployment insurance and did not participate in the Training Benefits Program.

⁴Group based on enrollment year.

Exhibit 2.1: Over time, those who enrolled after 2003 earned less (cumulatively) than their peers



Source: 2021 ESD net impact analysis report. All figures are stated as 2016 dollars. The net impact results do not include additional unemployment benefits paid to Program participants.

Participants have lower average annual earnings

Participants who enrolled in 2002 and 2003 experienced higher earnings than nonparticipating peers. Even when including the positive results for the 2002 and 2003 cohorts, the Program caused participants to earn an average of \$3,621 less per year. This average loss in yearly earnings is the overall effect of the Program for all cohorts and all years of earnings data.

ESD also estimated the effect of the Program on participants' likelihood of being employed. Over time, participants surpassed their peers in likelihood of being employed.

Younger and lower income participants had better earnings outcomes. Outcomes did not vary by type of training.

ESD's 2021 net impact analysis analyzed the differential effects of the Program by age, income, and type of training on participants' earnings. ESD found that:

- Younger participants were more likely to experience positive earnings outcomes. For example,
 - 54% of participants under 36 earned more than their peers over time. In contrast, 10% of participants over 46 earned more than their peers over time.
 - On average, participants under 36 earned \$239 more per year compared to nonparticipating peers. Participants over 46 earned \$16,508 less per year.
- Participants who earned lower wages before training (relative to other participants) were more likely to experience better earnings outcomes.

- The top 20 most popular types of training all yielded negative average earnings results for the whole population. Participants who trained for certain occupations in the health care, education, and protective services⁵ industries had less negative outcomes compared to participants who trained for other occupations.

Evaluations of similar programs also found negative effects on participants' earnings

ESD and JLARC staff separately reviewed the literature that evaluated retraining programs similar to the Training Benefits Program. Other evaluations indicate that participants in career retraining programs generally lose earnings while they complete training and do not make up lost earnings after their training is complete.

JLARC staff also found that:

- Retraining programs generally improved the chance that participants found work after retraining.
- Participants in a New Orleans program with more targeted career paths experienced positive earnings outcomes. Specifically, the program required training in advanced manufacturing, health care, or information technology.

ESD and its partners provide resources, but applicants must determine risk of reduced earnings

ESD, WorkSource⁶, and the Community and Technical Colleges have knowledgeable staff and resources to advise Program applicants, including academic advising. Staff direct potential unemployment insurance claimants who are considering applying for the Program to key resources, including:

- The Eligible Training Provider list: A list of all training programs eligible for training benefits participants. The list is maintained by the Workforce Training and Education Coordinating Board.
- The Occupations in Demand list: A list of occupations that are in demand or in decline. The list, which is maintained by ESD, is used to determine which occupations participants can train for.

Staff also help claimants navigate the Program's application requirements. ESD and partner agency staff do not advise claimants about choosing an in-demand career or training program. Applicants are responsible for researching and choosing careers. They also must assess the risks associated with retraining, such as a foregoing earnings while studying without the guarantee of increased wages in the future. When reviewing applications, ESD's Program adjudicators determine if the applicant has selected an in-demand career, has an approved training program, and has a financial plan in place.

⁵Homeland security, law enforcement, firefighting, and related protective services.

⁶Statewide partnership that provides one-stop employment and training services to job seekers and employers.

Legislative Auditor recommendation

Because the Training Benefits Program is not meeting the Legislature's stated objective to enhance participants' earning power, the Legislature should consider eliminating or modifying the Program.

3. Most 2016 JLARC recommendations implemented

Training Benefits Program complies with legal requirements. ESD implemented the majority of 2016 JLARC recommendations.

The Legislature directed JLARC to evaluate the Training Benefit Program's (Program) compliance with legislative intent, effectiveness, and efficiency, every five years.

Training Benefits Program meets statutory requirements

The Legislature's stated intent for the Program includes retraining unemployed individuals whose skills are no longer in demand and targeting the training to high-demand occupations (RCW 50.22.130). The structure and implementation of the Program meet the intent.

ESD staff review applications for consistency with statutory criteria

Training benefits are available to any unemployment insurance claimant who meets the statutory criteria stated in RCW 50.22.155. These criteria include:

- The applicant's prior occupation is in decline.
- The applicant needs training to find suitable employment.
- The training will lead to a high-demand occupation.
- The training meets Workforce Training and Education Coordinating Board⁷ performance criteria.

To apply for the Program, claimants fill out an application form and submit it to the Employment Security Department (ESD). Applicants must indicate how they meet the criteria and explain how they will complete their chosen training program. ESD partners with WorkSource⁸ and the Community and Technical Colleges to assist applicants with the forms and process.

Program staff at ESD are responsible for approving or rejecting Program applications. ESD requires staff adjudicators to independently verify the information submitted by applicants. ESD's information technology systems provide links to the necessary resources and enforce staff compliance through mandatory fields and checklists. Between 2016 and 2020, ESD staff adjudicators denied 65% of applications.

⁷Governor-appointed board addressing workforce development in the state.

⁸Statewide partnership that provides one-stop employment and training services to job seekers and employers.

ESD staff monitor participants' progress

Participants must maintain satisfactory progress in their training program to receive benefits. ESD has a process to ensure that participants are making satisfactory progress. ESD requires participants to submit progress forms⁹ signed by the registrar at their training institutions. ESD adjudicators review the progress forms to ensure compliance.

2016 JLARC recommended improvements to Program administration

JLARC published its [first report in 2016](#) and recommended that the Employment Security Department (ESD) develop a plan to improve its program administration. Specifically, the JLARC report recommended that ESD:

- Improve guidance to partners.
- Establish quality assurance review.
- Improve the timeliness of decisions.
- Improve the application form.

ESD has implemented a number of changes to address the recommendations.

ESD has improved guidance to partners

The ESD staff partner with staff at WorkSource and the Community and Technical Colleges to serve potential applicants. WorkSource and college staff may inform potential applicants about the Program, assist them in selecting retraining options, and help them complete the application.

As shown in the table, ESD improved its guidance, as recommended in the 2016 audit. In addition, the Program's manager began attending quarterly meetings with staff from WorkSource and the colleges in July 2019. The meeting is a forum to update partners about changes to procedures and application adjudication times. It is also an opportunity for partners to ask questions.

Exhibit 3.1: JLARC's 2016 audit suggested that ESD improve its guidance to partners. ESD has done so.

ESD Partner	Partner's Role	2016 Status	Current Status
WorkSource centers	Tell recently unemployed workers about the Program and help them with the application process.	ESD no longer provided training or program updates to WorkSource staff.	ESD staff delivered trainings in 2018 and 2020.
Community and Technical Colleges	Tell students about the Program and provide training to participants.	In 2005, ESD eliminated funding for staff positions at the colleges. The staff had assisted program applicants.	ESD reinstated funding for some positions.

Source: JLARC staff analysis.

ESD implemented quality review procedures

Prompted by JLARC's 2016 recommendation, ESD instituted a process to ensure that application adjudication decisions are consistent. Program staff created a quality assurance tool based on the tool used in the regular unemployment insurance claims unit.

The Training Benefits Program supervisor conducted two formal quality reviews per week per adjudicator until December 2019. However, ESD reports that the quality assurance process was suspended due to the large number of applications received, and has not been restarted during the COVID-19 pandemic.

Despite changes to improve timeliness, average adjudication times continue to vary

Federal guidelines set a target of 21 days for determining whether an applicant is eligible for extended benefit programs such as training benefits. Prior to the 2016 JLARC report, the average time for ESD staff to adjudicate an application for training benefits fluctuated between five and 66 days.

Since 2016, ESD has taken a number of steps to improve timeliness, including:

- Training staff who work in the main unemployment insurance claims unit to adjudicate Program applications. These adjudicators can provide additional staff capacity when program application volumes are high, such as before the start of each academic quarter.
- Appointing an acting supervisor to monitor productivity and set timeliness expectations.
- Addressing high turnover among Program staff by raising the starting salaries of new adjudicators. Prior to the raise, Training Benefits Program adjudicators were paid less than adjudicators in the main claims adjudication unit.
- Implementing a new unemployment insurance claims processing system in January 2017.

Despite these changes, average adjudication times have fluctuated, as shown in Exhibit 2.2.

Exhibit 3.2: The average length of time to adjudicate Program applications has fluctuated since 2016



Source: JLARC staff analysis of ESD data.

ESD revised the application but did not address application issues noted in JLARC report

In 2016, participants and WorkSource staff told JLARC staff that the application contained confusing questions. JLARC staff also found that the application was longer than those for similar programs in other states. Following JLARC's 2016 report, ESD updated the application. However, the changes were minor and did not address the questions that applicants found confusing.

Appendix A: ESD net impact analysis

ESD conducted a net impact analysis in 2021 to evaluate effects on participants' earnings

The Employment Security Department (ESD) conducted a net impact analysis of the Program in 2021. The 2021 analysis estimates the causal effects of participation for 30,164 people who enrolled in the Program between 2002 and 2016.

The analysis is available on ESD's website: [2021 Net Impact Study on the Annual Earnings for the Training Benefits Program \(2002-2016\)](#)

Appendix B: Independent review of ESD analysis

Independent review by JLARC contractor concluded that ESD's 2021 evaluation methods are robust

JLARC staff contracted with an economist with the W.E. Upjohn Institute for Employment Research to independently review the Employment Security Department's (ESD) net impact analysis. The economist had a high level of confidence in ESD's methods and results.

Marta Lachowska, [*Review of Washington State Employment Security Department, "Net Impact Study of the Training Benefits Program, 2002-2016"*](#)

Appendix C: Applicable statutes

RCW 50.22.130, 50.22.155

Training benefits program—Intent

RCW 50.22.130

It is the intent of the legislature that a training benefits program be established to provide unemployment insurance benefits to unemployed individuals who participate in training programs necessary for their reemployment. The legislature further intends that this program serve the following goals:

- (1) Retraining should be available for those unemployed individuals whose skills are no longer in demand;
- (2) Training must enhance the individual's marketable skills and earning power; and
- (3) Retraining must be targeted to high-demand occupations.

The legislature further intends that funding for this program be limited by a specified maximum amount each fiscal year.

Training benefits—Claims effective on or after April 5, 2009—Eligibility—Definitions—Role of local workforce development councils—Rules

RCW 50.22.155

- (1) With respect to claims with an effective date on or after April 5, 2009, and before July 1, 2012:

(a) Subject to availability of funds, training benefits are available for an individual who is eligible for or has exhausted entitlement to unemployment compensation benefits when:

- (i) The individual is a dislocated worker as defined in RCW 50.04.075 and, after assessment of the individual's labor market, occupation, or skills, is determined to need job-related training to

find suitable employment in the individual's labor market. The assessment of demand for the individual's occupation or skill sets must be substantially based on declining occupation or skill sets and high-demand occupations identified in local labor market areas by the local workforce development councils in cooperation with the employment security department and its labor market information division; or

(ii) For claims with an effective date on or after September 7, 2009, the individual:

(A) Earned an average hourly wage in the individual's base year that is less than one hundred thirty percent of the state minimum wage and, after assessment, it is determined that the individual's earning potential will be enhanced through vocational training. The individual's average hourly wage is calculated by dividing the total wages paid by the total hours worked in the individual's base year;

(B) Served in the United States military or the Washington national guard during the twelve-month period prior to the application date, was honorably discharged from military service or the Washington national guard and, after assessment, is determined to need job-related training to find suitable employment in the individual's labor market;

(C) Is currently serving in the Washington national guard and, after assessment, is determined to need job-related training to find suitable employment in the individual's labor market; or

(D) Is disabled due to an injury or illness and, after assessment, is determined to be unable to return to his or her previous occupation and to need job-related training to find suitable employment in the individual's labor market.

(b)(i) The individual must develop an individual training program that is submitted to the commissioner for approval within ninety days after the individual is notified by the employment security department of the requirements of this section;

(ii) The individual must enter the approved training program by one hundred twenty days after the date of the notification, unless the employment security department determines that the training is not available during the one hundred twenty days, in which case the individual enters training as soon as it is available;

(iii) The department may waive the deadlines established under this subsection for reasons deemed by the commissioner to be good cause.

(c) The individual must be enrolled in training approved under this section on a full-time basis as determined by the educational institution, except that less than full-time training may be approved when the individual has a physical, mental, or emotional disability that precludes enrollment on a full-time basis.

(d) The individual must make satisfactory progress in the training as defined by the commissioner and certified by the educational institution.

(e) An individual is not eligible for training benefits under this section if he or she:

(i) Is a standby claimant who expects recall to his or her regular employer; or

(ii) Has a definite recall date that is within six months of the date he or she is laid off.

(f) The following definitions apply throughout this subsection (1) unless the context clearly requires otherwise.

(i) "Educational institution" means an institution of higher education as defined in RCW 28B.10.016 or an educational institution as defined in RCW 28C.04.410, including equivalent educational institutions in other states.

(ii) "High-demand occupation" means an occupation with a substantial number of current or projected employment opportunities.

(iii) "Training benefits" means additional benefits paid under this section.

(iv) "Training program" means:

(A) An education program determined to be necessary as a prerequisite to vocational training after counseling at the educational institution in which the individual enrolls under his or her approved training program; or

(B) A vocational training program at an educational institution that:

(I) Is targeted to training for a high-demand occupation;

(II) Is likely to enhance the individual's marketable skills and earning power; and

(III) Meets the criteria for performance developed by the workforce training and education coordinating board for the purpose of determining those training programs eligible for funding under Title I of P.L. 113-128.

"Training program" does not include any course of education primarily intended to meet the requirements of a baccalaureate or higher degree, unless the training meets specific requirements for certification, licensing, or for specific skills necessary for the occupation.

(g) Benefits shall be paid as follows:

(i) The total training benefit amount shall be fifty-two times the individual's weekly benefit amount, reduced by the total amount of regular benefits and extended benefits paid, or deemed paid, with respect to the benefit year.

(ii) The weekly benefit amount shall be the same as the regular weekly amount payable during the applicable benefit year and shall be paid under the same terms and conditions as regular benefits.

(iii) Training benefits shall be paid before any extended benefits but not before any similar federally funded program. Effective July 3, 2011, training benefits shall be paid after any federally funded program.

(iv) Training benefits are not payable for weeks more than two years beyond the end of the benefit year of the regular claim. However, training benefits are not payable for weeks more than three years beyond the end of the benefit year of the regular claim when individuals are eligible for benefits in accordance with RCW 50.22.010 (2)(b) or (3)(b).

(h) The requirement under RCW 50.22.010(10) relating to exhausting regular benefits does not apply to an individual otherwise eligible for training benefits under this section when the individual's benefit year ends before his or her training benefits are exhausted and the individual is eligible for a new benefit year. These individuals will have the option of remaining on the original claim or filing a new claim.

(i) Individuals who receive training benefits under RCW 50.22.150 or this section are not eligible for training benefits under this section for five years from the last receipt of training benefits.

(j) An individual eligible to receive a trade readjustment allowance under chapter 2, Title II of the trade act of 1974, as amended, shall not be eligible to receive benefits under this section for each week the individual receives such trade readjustment allowance.

(k) An individual eligible to receive emergency unemployment compensation under any federal law shall not be eligible to receive benefits under this section for each week the individual receives such compensation.

(l) All base year employers are interested parties to the approval of training and the granting of training benefits.

(m) Each local workforce development council, in cooperation with the employment security department and its labor market information division, must identify occupations and skill sets that are declining and high-demand occupations and skill sets. Each local workforce development council shall update this information annually or more frequently if needed.

(2) With respect to claims with an effective date on or after July 1, 2012:

(a) Training benefits are available for an individual who is eligible for or has exhausted entitlement to unemployment compensation benefits when:

(i) The individual is a dislocated worker as defined in RCW 50.04.075 and, after assessment of the individual's labor market, occupation, or skills, is determined to need job-related training to find suitable employment in the individual's labor market. The assessment of demand for the individual's occupation or skill sets must be substantially based on declining occupation or skill sets and high-demand occupations identified in local labor market areas by the local workforce development councils in cooperation with the employment security department and its labor market information division; or

(ii) Subject to the availability of funds as specified in RCW 50.22.140, the individual:

(A) Earned an average hourly wage in the individual's base year that is less than one hundred thirty percent of the state minimum wage and, after assessment, it is determined that the individual's earning potential will be enhanced through vocational training. The individual's average hourly wage is calculated by dividing the total wages paid by the total hours worked in the individual's base year;

(B) Served in the United States military or the Washington national guard during the twelve-month period prior to the application date, was honorably discharged from military service or the

Washington national guard and, after assessment, is determined to need job-related training to find suitable employment in the individual's labor market;

(C) Is currently serving in the Washington national guard and, after assessment, is determined to need job-related training to find suitable employment in the individual's labor market; or

(D) Is disabled due to an injury or illness and, after assessment, is determined to be unable to return to his or her previous occupation and to need job-related training to find suitable employment in the individual's labor market.

(b)(i) Except for an individual eligible under (a)(i) of this subsection, the individual must develop an individual training plan that is submitted to the commissioner for approval within ninety days after the individual is notified by the employment security department of the requirements of this section;

(ii) Except for an individual eligible under (a)(i) of this subsection, the individual must enroll in the approved training program by one hundred twenty days after the date of the notification, unless the employment security department determines that the training is not available during the one hundred twenty days, in which case the individual enters training as soon as it is available;

(iii) An individual eligible under (a)(i) of this subsection must submit an individual training plan and enroll in the approved training program prior to the end of the individual's benefit year;

(iv) The department may waive the deadlines established under (b)(i) and (ii) of this subsection for reasons deemed by the commissioner to be good cause.

(c) Except for an individual eligible under (a)(i) of this subsection, the individual must be enrolled in training approved under this section on a full-time basis as determined by the educational institution, except that less than full-time training may be approved when the individual has a physical, mental, or emotional disability that precludes enrollment on a full-time basis.

(d) The individual must make satisfactory progress in the training as defined by the commissioner and certified by the educational institution.

(e) An individual is not eligible for training benefits under this section if he or she:

(i) Is a standby claimant who expects recall to his or her regular employer; or

(ii) Has a definite recall date that is within six months of the date he or she is laid off.

(f) The following definitions apply throughout this subsection (2) unless the context clearly requires otherwise:

(i) "Educational institution" means an institution of higher education as defined in RCW 28B.10.016 or an educational institution as defined in RCW 28C.04.410, including equivalent educational institutions in other states.

(ii) "High-demand occupation" means an occupation with a substantial number of current or projected employment opportunities.

(iii) "Training benefits" means additional benefits paid under this section.

(iv) "Training program" means:

(A) An education program determined to be necessary as a prerequisite to vocational training after counseling at the educational institution in which the individual enrolls under his or her approved training program; or

(B) A vocational training program at an educational institution that:

(I) Is targeted to training for a high-demand occupation;

(II) Is likely to enhance the individual's marketable skills and earning power; and

(III) Meets the criteria for performance developed by the workforce training and education coordinating board for the purpose of determining those training programs eligible for funding under Title I of P.L. 113-128.

"Training program" does not include any course of education primarily intended to meet the requirements of a baccalaureate or higher degree, unless the training meets specific requirements for certification, licensing, or for specific skills necessary for the occupation.

(g) Available benefits shall be paid as follows:

(i) The total training benefit amount shall be fifty-two times the individual's weekly benefit amount, reduced by the total amount of regular benefits paid, or deemed paid, with respect to the benefit year.

(ii) The weekly benefit amount shall be the same as the regular weekly amount payable during the applicable benefit year and shall be paid under the same terms and conditions as regular benefits.

(iii) Training benefits shall be paid after any federally funded program.

(iv) Training benefits are not payable for weeks more than two years beyond the end of the benefit year of the regular claim. However, training benefits are not payable for weeks more than three years beyond the end of the benefit year of the regular claim when individuals are eligible for benefits in accordance with RCW 50.22.010 (2)(b) or (3)(b). (h) The requirement under RCW 50.22.010(10) relating to exhausting regular benefits does not apply to an individual otherwise eligible for training benefits under this section when the individual's benefit year ends before his or her training benefits are exhausted and the individual is eligible for a new benefit year. These individuals will have the option of remaining on the original claim or filing a new claim.

(i) Except for individuals eligible under (a)(i) of this subsection, individuals who receive training benefits under RCW 50.22.150 or this section are not eligible for training benefits under this section for five years from the last receipt of training benefits.

(j) An individual eligible to receive a trade readjustment allowance under chapter 2, Title II of the trade act of 1974, as amended, shall not be eligible to receive benefits under this section for each week the individual receives such trade readjustment allowance.

(k) An individual eligible to receive emergency unemployment compensation under any federal law shall not be eligible to receive benefits under this section for each week the individual receives such compensation.

(l) All base year employers are interested parties to the approval of training and the granting of training benefits.

(m) Each local workforce development council, in cooperation with the employment security department and its labor market information division, must identify occupations and skill sets that are declining and high-demand occupations and skill sets. Each local workforce development council shall update this information annually or more frequently if needed.

(3) The commissioner shall adopt rules as necessary to implement this section.

RECOMMENDATIONS & RESPONSES

Legislative Auditor Recommendation

The Legislative Auditor makes one recommendation regarding the Training Benefits Program

Recommendation #1: Because the Training Benefits Program is not meeting the Legislature's stated objective to enhance participants' earning power, the Legislature should consider eliminating or modifying the Program.

If the Legislature **eliminates** the Program, the Employment Security Department (ESD) should reduce the flat social tax rate to a level reflecting a commensurate reduction in expenditures.

If the Legislature **modifies** the Program, modifications could include:

- Limiting career retraining options to higher-wage occupations, such as information technology, advanced manufacturing, and certain healthcare occupations.
- Limiting program eligibility to workers who earned lower wages before becoming unemployed.
- Requiring ESD and its partners to provide applicants with advisory information about the potential for foregone earnings while in training without the guarantee of increased wages in the future.

Legislation
Required: Yes

Fiscal Impact: Depends on legislative decision.

Implementation
Date: As determined by the Legislature.

Agency Response: ESD and OFM partially concur with this recommendation. SBCTC supports modifying the Program.

ESD Response



STATE OF WASHINGTON
EMPLOYMENT SECURITY DEPARTMENT

PO Box 9046 • Olympia WA 98507-9046

December 6, 2021

Keenan Konapaski
Legislative Auditor
106 11th Ave SW
PO Box 40910
Olympia, WA 98504-0910

Re: ESD Training Benefits Program Audit

Dear Mr. Konapaski:

The Employment Security Department (ESD) has received your recommendation regarding the Training Benefits Program.

Recommendation: Because the Training Benefits Program is not meeting the Legislature's stated objective to enhance participants earning power, the Legislature should consider eliminating or modifying the program.

Agency Position: ESD concurs that the Legislature should consider modifying the program and would recommend that the program not be eliminated.

Comments: ESD acknowledges that aggregate results for the Training Benefits Program does not meet the stated objective of enhancing participants earning power. However, the program has proven to be successful for younger and low-income participants, who experience better economic outcomes. There are also overall positive effects on employment and relatively higher participation rates for people of color.

ESD believes that making program modifications to the Training Benefits Program will help dislocated workers avoid long term unemployment.

The key findings of ESD's Labor Market and Economic Analysis staff's net impact analysis represented a sharp drop in most participants earnings during training followed by a lag behind non-participating peers' earnings in the years after training. The study identified that the current design of the Training Benefits Program results in a loss of earnings while participants are in school and generally, those lost earnings are not made up after participants return to work when comparing program participants with non-participants. The net impact

Keenan Konapaski, Legislative Auditor
December 6, 2021
Page 2

study confirmed that younger and lower income participants are more likely to have positive outcomes.

The study identifies wage effects but does not provide specific solutions on how to improve program outcomes. ESD proposes that the agency collaborate with the workforce development stakeholder community throughout 2022 to identify potential program modifications and identify which changes could be implemented administratively or whether changes to RCW or WAC are necessary. ESD will also solicit input from the Legislature on opportunities to improve the program's outcomes and will further examine the recommendations offered in the audit report.

Thank you for the opportunity to respond to the audit report. ESD appreciates the thoroughness and professionalism of JLARC staff.

Sincerely,



Cami Feek
Commissioner

cc: Eleni Papadakis, Executive Director, Workforce Training Board
Dave Wallace, Research Manager, Workforce Training Board
Eric Wolf, Deputy Director for Policy and Programs, Workforce Training Board
Caitlyn Jekel, Senior Policy Advisor, Office of the Governor
Anna Minor, Budget Assistant, Office of Financial Management
Ryan McCord, Research Analyst, JLARC
Phil Castle, Deputy Commissioner, Employment Security Department
Nick Demerice, Public Affairs Director, Employment Security Department
Jay Summers, External Audit Manager, Employment Security Department

OFM Response



STATE OF WASHINGTON

OFFICE OF FINANCIAL MANAGEMENT

Insurance Building, PO Box 43113 • Olympia, Washington 98504-3113 • (360) 902-0555

December 2, 2021

TO: Keenan Konopaski, Legislative Auditor
Joint Legislative Audit and Review Committee

FROM: David Schumacher
Director

A handwritten signature in black ink, appearing to read "D. Schumacher".

**SUBJECT: RESPONSE ON JLARC REVIEW OF THE PRELIMINARY REPORT ON THE
UNEMPLOYMENT INSURANCE TRAINING BENEFITS PROGRAM**

The Office of Financial Management appreciates the opportunity to review and comment on the Joint Legislative Audit and Review Committee's preliminary report titled "Unemployment Insurance Training Benefits Program."

Recommendation	Agency Position	Comments
Because the Training Benefits Program is not meeting the Legislature's stated objective to enhance participants' earning power, the Legislature should consider eliminating or modifying the Program.	Partially concur	The Office of Financial Management partially concurs with the recommendation. Though the Training Benefits Program may not have enhanced <i>all</i> participants' earning power, it did meet the intent for a subset of participants: those who are young or low-income. OFM supports the Employment Security Department's approach to identify other objectives that can be used to assess the effectiveness of the program, rather than relying solely on one objective. OFM does not concur with the recommendation to eliminate the program.

Again, thank you for the opportunity to comment on this preliminary report. Please don't hesitate to contact Anna Minor, Budget Assistant, at (360) 790-2951 with any questions.

cc: Scott Merriman, Legislative Director, OFM
Anna Minor, Budget Assistant, OFM
Robyn Williams, Senior Budget Assistant, OFM
Caitlyn Jekel, Senior Policy Advisor, Office of the Governor
Tammy Firkins, Performance Audit Liaison, Office of the Governor

SBCTC Response



December 6, 2021

Keenan Konopaski
Joint Legislative Audit and Review Committee
Washington State Legislature

Dear Mr. Konopaski,

Thank you for the opportunity to respond to the Joint Legislative Audit and Review Committee's Employment Security Department's Training Benefits program review.

The State Board for Community and Technical Colleges conditionally support [JLARC recommendations](#) to modify, not eliminate, the Training Benefits program; specifically requiring ESD and its partners to provide advisory information about potential foregone earnings while in training. We appreciate the recognition of the important role that co-located ESD staff plays at many of our colleges. This partnership continues to be identified as a best practice by our College Worker Retraining staff and results in jointly guiding students towards in-demand jobs and an improved wage. We are in support of the recommended modifications to focus on higher-wage occupations and student advising that includes potential net wage impact.

Please find the following additional information, in addition to our previous response, to append to the report.

Do you believe limiting career retraining options best meets the needs of dislocated workers and Washington state? A program modification where ESD and partners **provide guidance** towards high wage occupations, including information technology, advanced manufacturing and certain healthcare occupations, is in alignment with SBCTC's Guided Pathways initiative to provide career pathways advising.

What opportunities will high wage earners have to recover wages if program eligibility is limited to lower wage earners? One modification recommendation includes "Limiting program eligibility to workers who earned lower wages before becoming unemployed." Consideration should be given to all wage earners, especially in instances of automation, large industry staff reductions, such as that in the aerospace industry, and business closures in rural areas each resulting in limited opportunities for immediate wage recovery without additional education, skill attainment, or retraining.

The Training Benefits Program provides excellent opportunities for dislocated workers to acquire the skills and education needed for the labor market across Washington state. SBCTC and our colleges are supportive of comprehensive career pathways advising provided through Guided Pathways statewide implementation that began in 2019, which meets the intent of the suggested Training Benefits program modifications to enhance participants' earning power. We look forward to continuing the discussion on how to best serve dislocated workers in Washington state.

Sincerely,

A handwritten signature in black ink, appearing to read "Jan Yoshiwara".

Jan Yoshiwara
Executive Director

SBCTC.edu • o: 360-704-4400 • f: 360-704-4415 • 1300 Quince St SE • PO Box 42495 • Olympia, WA 98504-2495

Current Recommendation Status

JLARC staff follow up with agencies on Legislative Auditor recommendations for four years. Responses from agencies on the latest status of implementing recommendations for this report will be available in 2023.

MORE ABOUT THIS REVIEW

Audit Authority

The Joint Legislative Audit and Review Committee (JLARC) works to make state government operations more efficient and effective. The Committee is comprised of an equal number of House members and Senators, Democrats and Republicans.

JLARC's nonpartisan staff auditors, under the direction of the Legislative Auditor, conduct performance audits, program evaluations, sunset reviews, and other analyses assigned by the Legislature and the Committee.

The statutory authority for JLARC, established in [Chapter 44.28 RCW](#), requires the Legislative Auditor to ensure that JLARC studies are conducted in accordance with Generally Accepted Government Auditing Standards, as applicable to the scope of the audit. This study was conducted in accordance with those applicable standards. Those standards require auditors to plan and perform audits to obtain sufficient, appropriate evidence to provide a reasonable basis for findings and conclusions based on the audit objectives. The evidence obtained for this JLARC report provides a reasonable basis for the enclosed findings and conclusions, and any exceptions to the application of audit standards have been explicitly disclosed in the body of this report.

Committee Action to Distribute Report

On January 4, 2022 this report was approved for distribution by the Joint Legislative Audit and Review Committee. Action to distribute this report does not imply the Committee agrees or disagrees with Legislative Auditor Recommendations.

Study Questions

Click image to view PDF of proposed study questions.



PROPOSED STUDY QUESTIONS

Unemployment Insurance Training Benefits Program: Second Report

State of Washington Joint Legislative Audit and Review Committee

May 2021

The Training Benefits program provides unemployment benefits while participants pursue new career training

The Employment Security Department (ESD) offers a Training Benefits program. It provides up to 26 additional weeks of unemployment benefits to approved participants while they train for high-demand occupations.

1,209 Participants Approved in Fiscal Year 2019

\$8,609,446 Benefits Paid in Fiscal Year 2019

Participants must enroll in an approved training program and maintain satisfactory progress to receive unemployment benefits. The program does not pay for the cost of tuition, fees, or books. Participants are not required to search for work while enrolled in training.

Benefits to program participants are paid out of the Unemployment Insurance (UI) Trust Fund. Washington employers pay taxes to support this fund. Unlike regular UI payments, employers do not pay an increased tax rate if former employees participate in the program.

Legislature directed JLARC to review the program every five years

The review includes the program's compliance with legislative intent, effectiveness in improving employment outcomes, efficiency, and recommendations for improvement. This will be JLARC's second review.

JLARC issued its [first report in 2016](#), concluding that most Training Benefits program participants completed training for new occupations. However, the program had not increased earnings for some participants, and some were unable to make up the wages lost during training. The Legislative Auditor recommended that ESD improve some aspects of program administration and analyze why some participants have better outcomes than others.

This study will address the following questions for 2016-2020

1. How has ESD changed the program and responded to the recommendations in JLARC's 2016 evaluation?
2. How do the characteristics of participants (e.g., age, gender) and their training programs (e.g., subject, training type) affect outcomes?
3. What information or assistance does ESD provide to applicants about the potential advantages and disadvantages of training for a new career?
4. What information is available about outcomes for similar programs in other states?

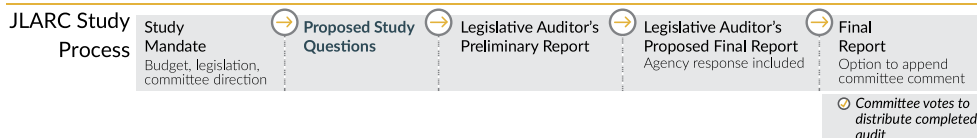
Study Timeframe

Preliminary Report: December 2021

Proposed Final Report: January 2022

Study Team

Team Lead	Ryan McCord	(360) 786-5186	Ryan.McCord@leg.wa.gov
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Project Coordinator	Valerie Whitener	(360) 786-5191	Valerie.Whitener@leg.wa.gov
Legislative Auditor	Keenan Konopaski	(360) 786-5187	Keenan.Konopaski@leg.wa.gov



JOINT LEGISLATIVE AUDIT & REVIEW COMMITTEE

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Methodology

The methodology JLARC staff use when conducting analyses is tailored to the scope of each study, but generally includes the following:

- **Interviews** with stakeholders, agency representatives, and other relevant organizations or individuals.
- **Site visits** to entities that are under review.
- **Document reviews**, including applicable laws and regulations, agency policies and procedures pertaining to study objectives, and published reports, audits or studies on relevant topics.
- **Data analysis**, which may include data collected by agencies and/or data compiled by JLARC staff. Data collection sometimes involves surveys or focus groups.
- **Consultation with experts** when warranted. JLARC staff consult with technical experts when necessary to plan our work, to obtain specialized analysis from experts in the field, and to verify results.

The methods used in this study were conducted in accordance with Generally Accepted Government Auditing Standards.

More details about specific methods related to individual study objectives are described in the body of the report under the report details tab or in technical appendices.

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