



**THE GREEN ENERGY DEBACLE: WHERE HAS
ALL THE TAXPAYER MONEY GONE?**

TESTIMONY OF

ELLIOT P. LEWIS
ASSISTANT INSPECTOR GENERAL FOR AUDIT
OFFICE OF THE INSPECTOR GENERAL
U.S. DEPARTMENT OF LABOR

AT A HEARING HELD BY THE

HOUSE COMMITTEE ON OVERSIGHT AND GOVERNMENT REFORM
SUBCOMMITTEE ON REGULATORY AFFAIRS, STIMULUS OVERSIGHT
AND GOVERNMENT SPENDING

NOVEMBER 2, 2011

**WRITTEN TESTIMONY OF
ELLIOT P. LEWIS
ASSISTANT INSPECTOR GENERAL FOR AUDIT
OFFICE OF INSPECTOR GENERAL
U.S. DEPARTMENT OF LABOR**

**Before the House Committee on Oversight and Government Reform
Subcommittee on Regulatory Affairs, Stimulus Oversight
and Government Spending
November 2, 2011**

Good morning, Mr. Chairman and Members of the Subcommittee, I appreciate the opportunity to discuss our recent report on the Department of Labor's Recovery Act Green Jobs Program. As you know, the Office of Inspector General (OIG) is an independent entity within the Department of Labor (DOL); therefore, the views expressed in my testimony are based on the findings and recommendations of my office's work and not intended to reflect the Department's position.

Background

The American Recovery and Reinvestment Act of 2009 (Recovery Act), signed into law on February 17, 2009, provided the Department's Employment and Training Administration (ETA) with funding for a number of employment and training programs to help Americans acquire new skills and help them get back to work. This included \$500 million for competitive grants for research, labor exchange, and job training projects to prepare workers for careers in the energy efficiency and renewable energy industries – the Department's Green Jobs program.

As part of our oversight responsibilities and in response to a Congressional request, we conducted an audit of the Department's Green Jobs program. The objectives of our audit were to determine how ETA had defined "green jobs," how ETA used the funds provided, and what the grantees had reported achieving with respect to training and placement of workers, including employment retention.

The OIG's strategy for the oversight of Recovery Act funding has included audits during the planning, award, and implementation phases, and eventually of the outcomes, of the initiatives implemented. Consistent with this strategy, we conducted this audit of the Green Jobs program while the grants are still active to provide the Department with an opportunity to identify and correct any performance issues, so as to help the Department maximize the outcomes of the program.

The OIG's findings and recommendations found in our report are based on the latest data reported by the grantees to ETA as of June 30, 2011, with about 73 percent of the grant periods having elapsed. We have not verified the accuracy or completeness of the data reported by the grantees. However, we plan to do this and other further work on the final outcomes of these grants, as well as on other Recovery Act programs, once they are completed.

How ETA Defined "Green Jobs"

Our audit found that ETA defined green jobs as "jobs associated with products and services that use renewable energy resources, reduce pollution, and conserve natural resources." ETA derived this definition from the Green Jobs Act of 2007, the Energy Policy Act of 2005, and from the Occupational Information Network (O*NET) – an ETA-funded database of occupational requirements and worker attributes. The Recovery Act mandated that the funds be used for projects that prepare workers for careers in energy efficiency and renewable energy as described in Section 171(e)(1)(B) of the Workforce Investment Act. Therefore, we found that the definition of green jobs used by ETA to award grants was in compliance with the requirements of the Recovery Act.

How the Department Used the \$500 Million Provided by the Recovery Act

The second objective of our audit was to determine how the funds had been used. We found that, of the \$500 million provided, ETA awarded \$490.1 million through 189 competitive grants – \$435.4 million for training programs and \$54.7 million for non-training programs. ETA retained the remaining \$9.9 million for program administration and technical assistance.

With the \$435.4 million in funding for training, ETA issued grants through three training programs: Energy Training Partnership, Pathways Out of Poverty, and State Energy Sector Partnership programs.

Energy Training Partnership grants totaling \$99.8 million, funded 25 projects ranging from approximately \$1.4 to \$5 million each for training programs to prepare and place workers in green jobs such as hybrid/electric auto technicians, weatherization specialists, and solar panel installers. Most of these grants (80 percent) were awarded to first-time grantees of ETA.

ETA also awarded grants totaling \$147.7 million to fund 38 Pathways Out of Poverty projects ranging from \$2.1 million to \$8 million. Through these grants, targeted populations were to receive recruitment and job referral services; basic skills, work-readiness and occupational skills training; and supportive services to help overcome barriers to employment. About 42 percent of these grants were awarded to State Workforce Agencies and community colleges, and 58 percent

to other types of grantees, such as non-profit agencies. Of the 58 percent, 34 percent were first time grantees of ETA.

State Energy Sector Partnership and Training grants totaling \$187.9 million were awarded to 34 state workforce investment boards. These grants ranged in value from \$2.5 million to \$6 million and were intended to provide participants with the technical and occupational skills necessary to obtain industry-recognized credentials, and to place participants into employment.

Of the \$54.7 million for non-training programs, ETA awarded 30 State Labor Market Information Improvement grants totaling almost \$48.9 million. These grants were to support the collection and dissemination of labor market information, and assist the state workforce agencies to help ensure that workers find employment after completing training. ETA awarded the remaining \$5.8 million through 62 Green Capacity Building grants to increase the training capacity of grant recipients through equipment purchases, curriculum development, and the hiring of additional training staff.

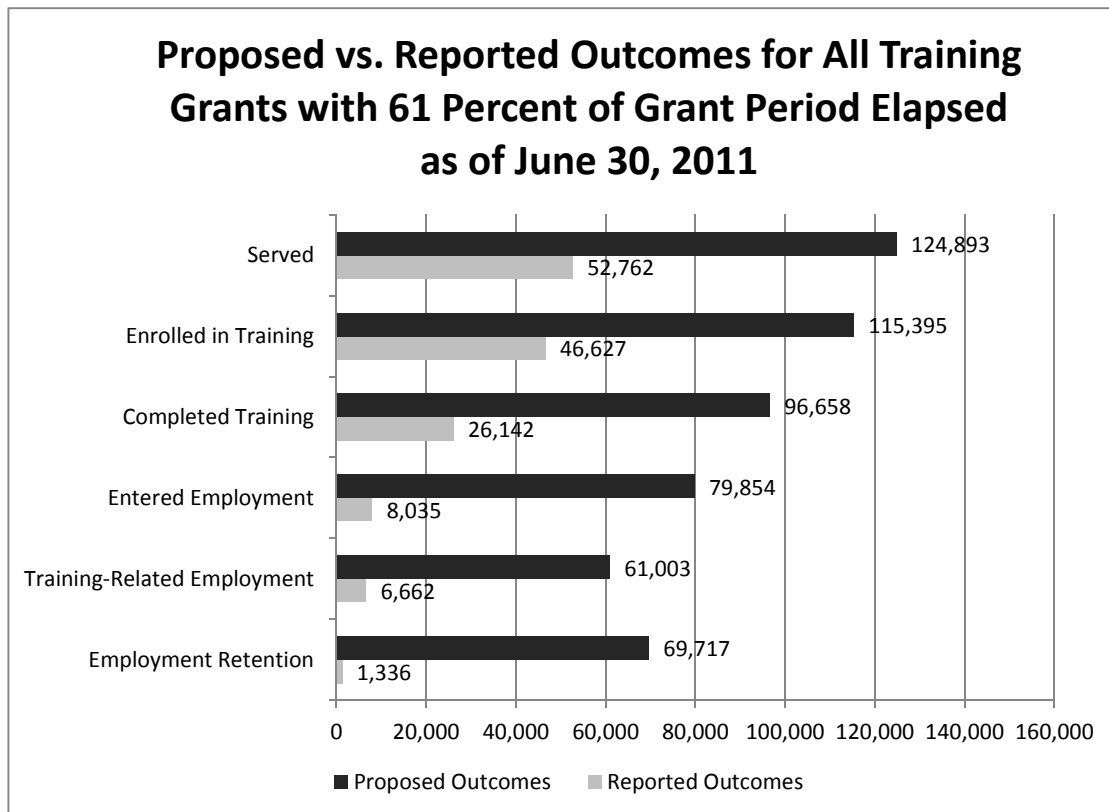
Overall, our audit found that although ETA obligated all of the \$490.1 million in grants, as of June 30, 2011, grantees had reported expenditures of \$162.8 million, or 33 percent of the amount awarded, while approximately 73 percent of the training and non-training grant periods had already elapsed.

Performance Results

Our audit also evaluated the extent to which ETA and its grantees had reported achieving performance targets for training and job placement, including employment retention. We found that, with 61 percent of training grant periods having elapsed, grantees have reported achieving limited performance targets for serving and placing workers. Indeed, as shown in the chart that follows:

- Grantees have reported serving an overall 52,762 individuals (42 percent of the targeted 124,893.) According to ETA, this includes participants who received grant-funded services, such as training, assessment, case management, or job placement assistance.
- Grantees also reported that 46,627 participants had enrolled in training (about 40 percent of the targeted 115,395); and that 26,142 had completed training, which amounts to about 27 percent of the targeted 96,658.
- In terms of employment goals, grantees reported that 8,035 participants had entered employment as of June 30, 2011, (which represents 10 percent of the program's goal of 79,854 placements); and that 1,336 participants had retained employment for more than 6 months – which is

about 2 percent of the planned 69,717. However, it is important to note that the low retention rate may be attributable in part to the timing of placements since there is at least a 6-month lag between when an individual is placed and when employment retention data is reported.



It is also important to emphasize that these training programs are still underway, and we would expect to see changes in reported results by the time the programs are completed.

In response to our audit, ETA officials stated that there was no linear relationship between grant periods elapsed and grant expenditures and outcomes, and indicated that they expect performance to significantly increase over time due to an initial lag during the start-up phase of a grant. However, ETA could not demonstrate that grantees were on target to meet grant outcomes nor was there a plan to ensure that they could. In addition, according to interviews we conducted with ETA regional officials early this year, grantees have expressed concerns about overall poor economic conditions; and that green jobs have not materialized, and therefore job placements had been much less than expected.

As such, we are concerned as to whether grantees will effectively use the funds and deliver targeted employment outcomes by the end of the grant periods.

Audit Recommendations

As a result, we recommended that ETA evaluate the Green Jobs program; and in so doing, obtain a current estimate of the funds each grantee will realistically spend given the current job market and the demand for green job-related skills. This will help the Department identify and correct any performance issues before the grants expire, and assess whether grant funds that remain unspent should be recouped and returned to the U.S. Treasury so they can be available for other purposes.

In response to our recommendations, ETA stated that it has put in place appropriate measures to monitor progress and provide technical assistance to help ensure ultimate grant success for those grantees that may be at-risk of not delivering all of their outcomes. ETA further stated that it has obligated all of its Recovery Act funds, and that it expects that all funds will have been expended by September 30, 2013, as required by the Office of Management and Budget.

Conclusion

In conclusion Mr. Chairman, based on the results of our audit, we believe the Department has an opportunity to evaluate the performance of the Green Jobs program while it is still underway in order to correct any performance issues and maximize outcomes.

Thank you for the opportunity to testify on our work. I would be pleased to answer any questions that you or any Members of the subcommittee may have