



Legislative Fiscal Bureau

One East Main, Suite 301 • Madison, WI 53703 • (608) 266-3847 • Fax: (608) 267-6873
Email: fiscal.bureau@legis.wisconsin.gov • Website: <http://legis.wisconsin.gov/lfb>

October 15, 2013

TO: Members
Joint Committee on Finance

FROM: Bob Lang, Director

SUBJECT: Senate Bill 332: Special Occupational Training

Senate Bill 332 was introduced on October 4, 2013, and was referred to the Committee on Economic Development and Local Government. The bill was recommended for passage by that Committee on October 11, 2013, on a vote of 5 to 0.

BACKGROUND -- 2011 WISCONSIN ACT 123

2011 Wisconsin Act 123 created a temporary special occupational training program. Special occupational training generally meant training offered directly by an employer to a claimant who is not employed by the employer. The Department of Workforce Development (DWD) was required to administer this pilot program for unemployment insurance (UI) claimants who wanted to participate in areas of the state served by three local workforce development boards, as designated by the Department. DWD designated the Milwaukee Area Workforce Investment Board, the Southeast Wisconsin Workforce Development Area, and the Southwest Wisconsin Development Area for the program. The Department had to offer the program within the entire area served by these boards. Participants in the program were allowed to receive UI benefits in addition to a weekly training stipend.

DWD had to accept applications from employers to offer special occupational training to claimants and had to offer claimants the opportunity to receive placements to receive the training. On the application, each employer had to affirm that it had a job opening, as of the date of the application, for each training participant that it sought in a position that a successful participant could have potentially qualified to fill. If DWD found that an employer providing placements under the program had not hired a reason percentage of qualified trainees, the Department could have declined to accept further applications for placements from that employer.

The Department had to place claimants who applied for special occupational training with employers who offered placements. DWD could only place a claimant to receive special

occupational training during that claimant's UI benefit year. Each placement could not exceed a six-week period. A UI claimant could participate in special occupational training for between 20 and 24 hours per week during a placement. A claimant could not receive more than two placements during his or her benefit year, and no claimant could receive a placement for any period that included a week beginning after the end of the first 26 weeks of the claimant's benefit year.

A claimant who participated in special occupational training was not disqualified from receiving UI benefits solely on account of receiving the training. DWD could suspend a claimant's obligation to be available for work during those hours in which the claimant participated in special occupational training, but the claimant had to maintain his or her availability for work during other hours of the week. A claimant had to maintain his or her eligibility for benefits during the placement and had to terminate a placement if necessary to accept any work that the claimant was required to accept in order to maintain continuous eligibility for benefits.

DWD had to pay a stipend of \$75 per week to each claimant who participated in special occupational training, unless the claimant declined the stipend for the entire period of a placement by notifying the Department, in writing, of the declination. Payments were made from the UI claimant training stipends appropriation, which was a sum sufficient GPR appropriation.

DWD had to issue a training certificate, which described the skills in which the claimant received training, to each claimant upon successful completion of each special occupational training placement. Act 123 provided the Department rulemaking authority for this program.

Under the provisions of Act 123, a claimant participating in a special occupation training program was not considered an employee (under UI law) of the employer providing training. The \$75 stipend paid to each claimant for each week in which the claimant received training was not treated as wages earned under UI law. In addition, a claimant participating in special occupational training was not disqualified for receiving UI benefits for rejecting suitable work if DWD determined that there was a reasonable expectation that the claimant would receive an offer of full-time work at the end of the training period.

A person who participated in special occupational training was considered an employee of the employer for purposes of workers compensation (WC) law. If WC benefits were paid to a participant in such training, those benefits were calculated based on the usual going earnings paid for similar services on a normal full-time basis in the same or similar employment.

The provisions of Act 123 sunset on July 1, 2013. Act 123 required DWD to submit a report to the Legislature evaluating the effectiveness of the special occupational training program and provided DWD's recommendations concerning extension of the program or changes to the program that may enhance its effectiveness no later than May 30, 2013. A copy of that report is provided in the Attachment.

According to DWD, the pilot special occupational training program was implemented from June 1, 2012, through June 3, 2013. A total of 753 UI claimants were eligible and applied for

special occupational training. Of those individuals, 143 were hired by employers following a pre-placement interview without receiving special occupational training. Seventy individuals received and completed special occupational training, 23 of whom were placed in employment with 17 different employers. DWD paid stipends of \$23,000 GPR to trainees during the pilot program. The Department reports that federal Workforce Investment Act and Wagner Peyser monies of \$450,600 were used to pay for contracting for training services with providers and other administrative costs of the Department.

As noted, DWD was required to submit a report to the Legislature evaluating the effectiveness of the special occupational training program and recommend changes that may enhance its effectiveness. The Department recommended that: (a) training should be permitted for up to 40 hours per week; (b) a claimant's work search requirement to remain eligible for UI benefits should be waived during participation in the program; and (c) the program should continue as a pilot in the same areas for at least two more years and be measured to allow for additional promotion, stabilization, and more utilization of the program.

SUMMARY OF BILL

SB 332 would restore the provisions of Act 123 for two years, beginning on the first Sunday after publication of the bill, with certain changes. The differences between the provisions of Act 123 and the bill are shown below.

a. Under Act 123, a claimant could participate in special occupational training for between 20 and 24 hours per week during a placement. SB 332 would permit a claimant to participate in such training for up to 40 hours per week during a placement.

b. SB 332 would require DWD to waive a claimant's work search requirement for each week that the claimant participates in 20 or more hours of special occupational training. Act 123 did not contain this provision.

c. SB 332 would require DWD to continue the pilot program in the same areas that were designated under Act 123. As a result, the Milwaukee Area Workforce Investment Board, the Southeast Wisconsin Workforce Development Area, and the Southwest Wisconsin Development Area would continue to be the three areas eligible for participation in the special occupational training pilot program.

d. Act 123 required DWD to submit a report to the Legislature evaluating the effectiveness of the special occupational training program and providing DWD's recommendations concerning extension of the program or changes to the program that could enhance the program's effectiveness no later than May 30, 2013. SB 332 would require DWD to submit a similar report to both the Legislature and the Governor no later than 22 months after the first Sunday after publication.

FISCAL IMPACT

According to DWD, the bill would increase GPR expenditures for stipends paid from the unemployment insurance claimant training appropriation by an estimated \$45,000 in 2013-14 and \$90,000 in 2014-15. The higher estimated cost for stipends, as compared to the amounts paid under the Act 123 pilot program, are based under the assumption that additional employers would enroll in the program if: (a) a trainee could participate in up to 40 hours per week, rather than only 24 hours per week; and (b) the claimant were not required to search for other employment while enrolled in special occupational training to maintain eligibility for UI benefits.

DWD also indicates that it would incur administrative costs for: (a) contracting with organizations to provide services to claimants; (b) administrative overhead and contract monitoring; and (c) program audit and evaluation costs. DWD estimates that total administrative costs would be \$315,500 in 2013-14 and \$631,000 in 2014-15. However, SB 332 does not provide administrative funding to DWD, and the Department has not identified another funding source to pay for these costs.

Prepared by: Sean Moran
Attachment

Department of Workforce Development
Secretary's Office
201 East Washington Avenue
P.O. Box 7946
Madison, WI 53707-7946
Telephone: (608) 266-3131
Fax: (608) 266-1784
Email: sec@dwd.wisconsin.gov

STATE OF WISCONSIN

Department of Workforce Development
Scott Walker, Governor
Reginaid J. Newson, Secretary

July 3, 2013

Jeff Renk, Senate Chief Clerk
B20 (SE): State Capitol Bldg
Madison, WI 53707
EMAILED

Patrick Fuller, Assembly Chief Clerk
401 Risser Justice Center
Madison, WI 53707
EMAILED

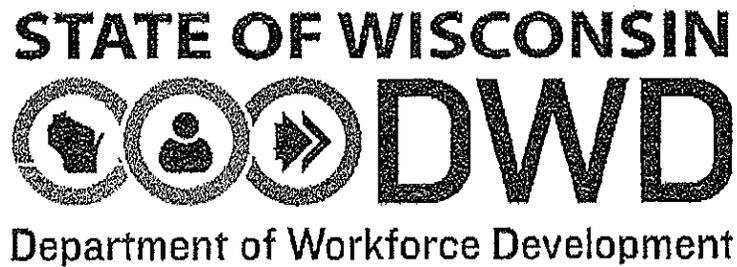
Dear Mr. Renk and Mr. Fuller:

Please find attached a report of the outcomes of the Wisconsin Workers Win (W3) pilot program. This report to the legislature is required under 13.172(2) to be submitted to the chief clerk in each house. We respectfully request you share this report with legislators or members of the public who request it. I can be reached in my office at 267-1410 should you have questions.

Sincerely,



REGGIE NEWSON
Secretary



Wisconsin Workers Win (W3)

2013 Report to the Wisconsin State Legislature

Wisconsin Department of Workforce Development

This report is provided to the Wisconsin State Legislature by the Department of Workforce Development, as required by 2011 Wisconsin Act 123, Section 9 summarizing the Department's activities in the Wisconsin Workers Win program from 2012-2013.

Introduction

On March 12, 2012, Governor Walker signed into law 2011 Act 123, putting into place the Wisconsin Workers Win (W3) pilot program. This voluntary training program, which garnered unanimous support from members of the Wisconsin State Legislature, allows Unemployment Insurance (UI) claimants who are in the first 20 weeks of regular benefits to enroll and be matched with participating employers for up to six weeks of training while they are collecting UI benefits. Participating claimants have the opportunity to develop new skills or demonstrate existing skills to potential employers, and participating employers have access to pre-screened trainees who have the potential to become new hires following the training period. The program was modeled after similar models utilized in other states, such as the Georgia Works program.

As required by 2011 Wisconsin Act 123, Section 9, this report summarizes activities for the W3 pilot for 2012-13. Specifically, this report includes:

- An overview of the W3 law and pilot.
- Efforts to administer the W3 pilot, both directly by DWD and through partnerships with regional providers.
- W3 pilot participation levels, program expenditures and outcomes.
- Recommendations and considerations based on the W3 pilot.

Summary of Results

The W3 program drew interest from many Unemployment Insurance claimants: 753 were deemed eligible and enrolled in the W3 program and 166 individuals gained employment through their direct association with the program. The average starting wage for W3 participants was \$13.56 per hour. The average time W3 participants collected UI benefits before entering employment was 14.8 weeks, or 1.8 weeks less than the statewide average of 16.6 weeks. As a result, the draw on the UI trust fund was reduced by about \$82,468.

Program overview

Key components of the W3 pilot program include:

- Pilot program operated from June 1, 2012 to June 3, 2013 in three geographic regions including Southeast Wisconsin, Southwest Wisconsin, and the Milwaukee area.
- The pilot program allowed for the voluntary enrollment of up to 500 UI claimants.
- Eligible claimants had to be within the first 20 weeks of initial receipt of UI benefits.
- Training was limited to part-time (20-24 hours per week) for not more than 6 weeks.
- Participating UI claimants were required to continue to conduct weekly work searches during their training period.

- Claimants were eligible for a \$75 weekly stipend to defray costs associated with participating in the W3 pilot.
- Employers were required to submit a Declaration of Insurance to cover Worker's Compensation liability.
- Worksites could not be engaged in current or upcoming layoff activity, or if there had been layoffs in the last 12 months, the W3 training position could not be one that was affected by the layoff.
- Participating employers were not required to make a job offer to the participating claimant following the training period.
- The fiscal estimate to administer the W3 pilot and measure results for the program was \$225,000 in GPR and \$500,000 in WIA funding.

Administration

Vendor Selection

DWD moved expeditiously to set the W3 pilot framework in place. The agency examined similar programs in other states, as well as existing worksite training programs and models in Wisconsin including the Transitional Jobs Program administered through the Department of Children and Families. Following this research, DWD resolved to pursue regional service providers to administer the program through a Request for Proposal (RFP) process. This process culminated in the selection of three regional providers in May 2012:

- United Migrant Opportunity Services (UMOS) of Milwaukee to operate the program in the Milwaukee area.
- Racine County Human Services to operate the program in the southeast Wisconsin area.
- Community Action Inc. of Rock County to operate the program in southwest area of Wisconsin.

DWD selected the three regions based on local unemployment rates, general proximity to one another and potential employer interest. DWD sought out and awarded contracts to providers that operated the Transitional Jobs Program based on the belief that these vendors had experience administering training programs and therefore, would leverage existing contacts with employers and other channels to share information and maximize participation.

As the state agency responsible for overseeing W3, DWD tracked and monitored provider activities, collected claimant and employment data, disbursed the \$75 stipend and distributed funding to the W3 providers as negotiated through the contract. DWD communicated regularly with the providers, engaged in site visits, and maintained

regular communication between the agency's Division of Employment & Training and Division of Unemployment Insurance.

W3 Outreach

Claimants

DWD targeted direct outreach to potential W3 trainees through a variety of channels. Key highlights include:

- DWD shared numerous press releases with statewide media outlets announcing milestones of the program's ramp-up, as well as online resources including a W3 landing page, FAQ section, agency homepage "badge" and other resources.
- DWD's UI Division sent more than 30,000 targeted mailings with information about W3 to new UI claimants. The information included details about the value of the skills training, work-site experience, potential employer connections, and the ability to train in an industry or sector in which the claimant may not have previous experience. The letters encouraged claimants to call their local W3 provider for more information and to schedule an orientation and possibly enroll.
- DWD also alerted potential enrollees through Re-employment services (RES) sessions at local Job Centers.
- W3 vendors shared information about the program with potential enrollees in their respective regions through methods such as face-to-face contacts, literature, and online materials.

These notification efforts began prior to June 1, 2012, and continued through the course of the W3 pilot. In response to these efforts, more than 2,000 people expressed interest in receiving additional information on the W3 program. New UI claimants expressed interest in the W3 program because it presented them the opportunity to demonstrate knowledge and skills to a potential employer and it provided the chance to explore an occupation that they may not have considered previously or one that they had considered but didn't pursue.

Employers

DWD and regional providers conducted outreach to prospective employers through numerous channels including press releases, website resources and social media promotion which encouraged participation. It should be noted that W3 providers were responsible for marketing the program directly to employers as part of their contract to administer W3. The W3 pilot was framed as an effective method to limit risk associated with hiring a new candidate who may not be an exact match for a job opening. In addition, employers could engage in a "trial" phase to work with participants who were considered trainees and not permanent employees. As was the case for outreach to UI

claimants, employer engagement activities began before the launch date and continued during the course of the W3 pilot.

W3 Pilot Outcomes

We gleaned from our numerous outreach efforts that while there was considerable interest in the W3 program, many employers chose to bypass the training option and instead opted to hire the enrollee immediately following pre-placement interviews. The following table shows the number of employer hires that occurred directly (without W3 worksite training) and hires that occurred post training:

Provider	No. of direct hires	No. of hires after training period
UMOS	55	4
Racine County Human Services	68	10
Community Action Inc.	20	9
TOTAL	143	23

The legislature directed the Department to support the W3 pilot program with a combination of WIA funds and GPR. The following table represents W3 program costs and account balances by funding source:

WIA Funding	Contract	Expenditure	Balance
Administration	\$45,620	\$44,997	\$623
Program	\$453,491	\$385,589	\$67,902
TOTAL	\$499,111	\$430,586	\$68,525
GPR Funded			
Stipend	\$225,000	\$22,800	\$202,200
TOTAL	\$724,111	\$453,386	\$270,725*

*Balance does not reflect June invoices from three providers.

In addition to an unspent account balance of \$270,725, including \$202,200 in general purpose revenue, DWD estimates the program had a positive impact on the UI trust fund. The average time W3 participants collected UI benefits before entering employment was 14.8 weeks, or 1.8 weeks less than the statewide average of 16.6 weeks based on the most recent four quarters of data available. The 166 W3 participants had an average weekly benefit rate of \$276 and would have collected an additional \$82,468 in benefits assuming they remained on UI for the statewide average of 16.6 weeks.

Lessons Learned

During focus group meetings with various employers, we learned there were specific areas of concern with the statutory guidelines making up Act 123. Those included:

- **The statutory weekly training limit of 20 to 24 hours per week.** Employers identified this limitation as a significant barrier, noting they had full-time positions and needed to have participants to train at a full-time schedule and not a part-time schedule. They also trained in groups for 40 hours each week which meant the W3 participant would fall behind the other trainees due to his/her limited availability.
- **The statutory requirement to search for work during training period.** Employers were reluctant to provide training for a person who is actively seeking and could find a job with a different employer.
- **The statutory requirement to provide worker's compensation insurance.** Employers cited this as a potential added cost if the trainee is injured onsite during the training period. Some employers noted their insurance carriers would not cover worker's compensation for trainees not on their payroll.

Recommendations & Considerations

The W3 program is intended to quickly connect recent UI claimants to new employment by matching them with employers that can provide training and, through a successful experience, a new job. The vision to launch the W3 program as a pilot was a prudent one as it allowed the Department and the legislature an opportunity to study what worked well, identify barriers, and make informed decisions about adjustments for future implementation.

If the W3 program continues past the pilot's sunset date of July 1, 2013, the following recommendations and considerations reflect both experiences with the W3 providers and feedback from employers and claimants:

- Training should be allowed for up to 40 hours per week.
- Claimants' work-search requirements should be waived during their participation.
- The program should continue as a pilot in three high unemployment areas but be extended for at least two years and be measured to allow for additional promotion, stabilization, and more utilization.