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Joint Committee on Finance

Paper #730

Expansion of Wisconsin Fast Forward (DWD -- Departmentwide)

[LFB 2015-17 Budget Summary: Page 543, #2 and Page 343, #6]

CURRENT LAW

Under current law, there is appropriated to the Department of Workforce Development (DWD), as separate GPR appropriations, funding for (a) workforce training program; grants and services (commonly referred to as "Wisconsin Fast Forward"), (b) workforce training program; administration, (c) apprenticeship completion awards, and (d) local youth apprenticeship grants. Under current statutes, DWD is required to award grants for each program.

(a) 2013 Wisconsin Act 9 created a workforce training program under the name Wisconsin Fast Forward (WFF). Under this program, the Department awards grants to public and private organizations for the development and implementation of workforce training programs. An organization that is awarded a grant under WFF can use it for training both new and incumbent employees of businesses in Wisconsin. Funding for the program is provided through two GPR appropriations. Grants are made from a continuing appropriation. The grants program was initially provided \$7.5 million GPR each year in the 2013-15 biennium.

(b) 2013 Wisconsin Act 9 also created a biennial appropriation within DWD for the administration of the workforce training program as well for an upgrade of the Department's labor market information system (LMIS) database. The current law directs DWD to develop and maintain a LMIS database to collect, analyze, and disseminate information on current and projected employment opportunities in the state. The Department is also instructed to make the information contained in the system available, free of charge, to school districts, technical colleges, tribal colleges, institutions and college campuses within the University of Wisconsin System, local workforce development boards, employers, job seekers, and the general public. In addition to support for LMIS, the Department also allocates funding from this appropriation to support 4.0 permanent positions to staff DWD's Office of Skills Development which administers

the Fast Forward grants program. The base level funding for this appropriation is \$3,165,600 GPR. In October 2013, the Department entered into an agreement with Burning Glass Technologies to develop custom applications for the LMIS database.

(c) 2013 Wisconsin Act 57 created the apprenticeship completion award program (ACAP) which authorizes DWD to partially reimburse eligible apprentices, sponsors and employers a maximum of \$1,000 for up to 25% of the tuition, book, materials and other course fees directly associated with related instruction. The ACAP program, which began June 2, 2014, is funded at \$225,000 GPR annually in the current biennium.

(d) The youth apprenticeship (YA) program is administered by DWD and provides high school juniors and seniors with a one-year or two-year program that combines academic classroom coursework with mentored on-the-job training in specific occupational areas. The program must include four semesters of related classroom instruction and a minimum of 900 hours of work-based learning under the two-year program. Pupils who complete the program receive a Certificate of Occupational Proficiency in addition to their high school diploma. The YA program is funded at \$2,233,700 GPR annually in the current biennium.

2013 Wisconsin Act 59 created an appropriation within the Department of Public Instruction (DPI) for career and technical education incentive grants. Under the act, DPI is required to award career and technical education incentive grants to school districts in the amount of \$1,000 per each pupil in the school district who, in the prior school year, obtained a diploma from a school in the school district and successfully completed an industry-recognized certification program approved by DPI.

GOVERNOR

Transfer \$3,000,000 GPR annually from DPI to DWD to eliminate DPI funding for grants to school districts for career and technical education. Additionally, delete current law requiring the State Superintendent to do the following: (a) annually identify industries and occupations with workforce shortages or shortages of adequately trained entry-level workers, with input from DWD and the Wisconsin Technical College System (WTCS); (b) inform school districts of the identified industries and occupations; (c) publish the identified industries and occupations on DPI's internet site; and (d) approve industry-recognized certification programs designed to mitigate workforce shortages in any of the identified industries or occupations.

Allow DWD to administer a career and technical education incentive grants program to provide grants to school districts for the development of programs that are designed to mitigate workforce shortages in industries and occupations that are experiencing a workforce shortage, as determined by DWD, and to assist pupils in graduating with industry-recognized certifications in those industries and occupations.

The bill would also repeal three separate appropriations: local YA grants, youth apprenticeship training grants (dormant), and apprenticeship completion awards, while adding language to DWD's workforce training appropriation to permit funds to be awarded to each of

these grant programs in addition to the standard WFF grants. Under the bill, DWD would not be required to award any specific amount for any program. Funding for the expanded WFF grant program would be provided as follows:

TABLE 1

**DWD's Workforce Training Program
Grants and Services Appropriation**

	2014-15 Base	Governor	
		2015-16	2016-17
Career and Technical Education Incentive Grant (DPI)	\$3,000,000	\$0	\$0
Wisconsin Fast Forward Grants	7,500,000*	12,858,700	12,858,700
Apprenticeship Completion Awards	225,000	0	0
Local Youth Apprenticeship Grants	2,233,700	0	0
Youth Apprenticeship Training Grants	<u>0</u>	<u>0</u>	<u>0</u>
Total	\$12,958,700	\$12,858,700	\$12,858,700

*\$10.0 million was appropriated for Fast Forward in FY15 but \$2.5 million was designated as one-time funding under 2013 Act 139.

The bill would modify the provision regarding eligible uses for GPR grant monies to include the hiring and training of apprentices in Wisconsin. Also, DWD would report annually to the Governor and the Joint Finance Committee on the number of participating apprentices, those that obtained gainful employment or received increased compensation, and the total wages earned by those apprentices both before and after participating in the program.

The bill would reduce funding in DWD's workforce training grants GPR appropriation by \$100,000 annually and increase funding in the Department's workforce training administration appropriation by \$100,000 annually. The funding adjustment would increase administrative funding to \$3,274,400 GPR annually.

DISCUSSION POINTS

1. In March of 2014, 2013 Wisconsin Act 139 temporarily expanded the scope of the initial Fast Forward program. Referred to as the "Blueprint for Prosperity," Act 139 transferred \$35.4 million GPR in one-time funding from the Joint Finance Committee's general program supplementation appropriation to DWD's workforce training program; grants and services appropriation and required the Department to allocate: (a) grants to technical colleges for the reduction of waiting lists for enrollment in programs and courses in high-demand fields; (b) grants for collaborative projects among school districts, technical colleges, and businesses to provide high school pupils with industry-recognized certifications in high-demand fields, as determined by DWD; (c) grants to public and private organizations or services provided by the Department to

enhance employment opportunities for persons with disabilities; and (d) grant administration. The Act also specifies that if the full amount of the \$35.4 million allocation is not needed for (a) through (d), DWD must allocate funds for the WFF grant program, as authorized under 2013 Act 9.

2. Table 2 details program funding and account balances of the standard WFF grant program and the Blueprint for Prosperity initiative. The "initial program allocations" column reflects the summation of DWD's grant program announcements for each round or initiative. Initial allocations were set as guidelines for the magnitude of potential funding available for each round of applications. Of the \$50.4 million GPR appropriated to DWD's workforce training continuing appropriation, an estimated \$46.0 million is expected to be encumbered by the end of the FY 2015. Because this is a continuing appropriation, approximately \$4.2 million in funding (\$4.4 million minus \$0.2 million in estimated administrative costs) is anticipated to carry over to the 2015-17 biennium and be available for DWD to expend on WFF grant programs.

TABLE 2
Funding Allocations and Account Balance of DWD's
Workforce Training Continuing Appropriation, 2013-15

<u>Program</u>	<u>Total</u> <u>Appropriation</u>	<u>Initial</u> <u>Program</u> <u>Allocations</u>	<u>Applicant</u> <u>Request</u> <u>Amounts</u>	<u>Intent</u> <u>to Award</u>	<u>Applicant</u> <u>Contracted</u> <u>Amounts</u>	<u>Uncontracted</u> <u>Funds</u> <u>Remaining</u>
Standard Wisconsin Fast Forward (Act 9):	\$15,000,000					\$2,654,410
Round 1		\$2,700,000	\$4,071,700	\$2,604,943	\$2,599,158	
Round 2		7,500,000	5,622,313	3,429,005	3,424,005	
Round 3		8,000,000	11,048,041	6,472,005	6,322,427	
Blueprint for Prosperity Initiative (Act 139):	\$35,400,000					\$1,759,349
Technical College Wait List		\$31,000,000	\$38,696,551	\$28,021,052	\$27,578,431	
High School Pupil Round 1		1,500,000	3,209,450	2,125,939	2,065,652	
High School Pupil Round 2*		3,000,000	3,124,924	2,525,173	2,525,173	
Persons with Disabilities-Project Search		850,000	850,000	850,000	850,000	
Training Workers with Disabilities GPA		1,000,000	<u>1,189,112</u>	<u>622,340</u>	<u>621,395</u>	
Total	\$50,400,000		\$67,812,091	\$46,650,457	\$45,986,241	\$4,413,759

*High School Pupil Round 2 "Applicant Contracted Amounts" are DWD estimates.

3. Given that the current program is expected to have an unencumbered balance in excess of \$4 million as of June 30, 2015, the Committee could choose to lapse to the general fund a portion of uncontracted funds. A lapse of \$4 million [Alternative C1], or \$2 million [Alternative C2] or another amount could be considered. On the other hand, if demand for grants were to exceed \$25.7 million in appropriated funding in 2015-17 (Table 1), these additional monies could cushion any one of the appropriation's underlying grant programs from having to turn away qualified grant applicants [Alternative C3].

Career and Technical Education Incentive Grant Program

4. The career and technical education (CTE) grant program was created in 2013 with the intent of supporting high-quality programming that results in pupils earning industry-recognized certifications. Public school districts are eligible to receive a grant of \$1,000 for each high school pupil who graduates with an industry-recognized certification in addition to a high school diploma or technical education diploma.

5. The list of approved certifications was developed by DPI, with the assistance of WTCS and DWD. DPI considered national and state certifications in areas identified as experiencing workforce shortages based on labor market information provided by DWD. DPI indicates that the following was considered when identifying qualifying certifications: (a) the certifying agency, including whether the agency is nationally recognized within the industry sector; (b) the certification validity, including whether the certification is endorsed by multiple companies and transferable to other companies within the industry; and (c) the certification program, including whether the program is accessible by high school pupils, comprehensive and rigorous enough to provide technical skill practice and attainment, and validated or endorsed by industry sector representatives. The list of approved certifications is required by law to be updated annually.

6. The first grants under the program will be distributed in the spring of 2015, for pupils who graduated from high school in 2014, and will be prorated if more than 3,000 pupils meet the qualifications. DPI indicates that, although claims are still being verified, 228 districts claimed aid for approximately 3,400 pupils in the program's first year. If all claims are approved, payments will be prorated at approximately \$882 per pupil.

7. An existing workforce training grant program operated by DWD provided funding related to training for high school pupils (see High School Pupil Round 1 & 2 in Table 2). The high school pupil workforce training program funded collaborations between Wisconsin businesses and educational partners, including school districts and technical colleges, to support programs in which high school pupils receive training and job placements. To be eligible for grants, programs must provide industry-recognized certification training in the fields identified by DPI as experiencing workforce shortages. Grants can be used for certain eligible expenses, including curriculum development and instructional delivery, costs associated with certification testing, and supplies and materials for training or instruction. The first round of grants under the program was awarded in May, 2014, and provided approximately \$2.1 million in funding for 30 projects intending to train 949 high school pupils. A second round of grant applications were accepted in February, 2015, for grant funding totaling up to \$3 million. The high school pupil program was funded with one-time GPR funding from 2013 Act 139.

8. Although DPI's career and technical education grant program is intended to increase career and technical education programming in public high schools, the program does not impose restrictions on how grants may be spent. One could argue that it may be preferable to offer grants for specific programming or projects related to career and technical education. In particular, schools with fewer resources and a smaller number of pupils may lack the resources to initiate certification programs, but may engage in career and technical education activities if additional funding were provided for that purpose. As the program is currently structured, there is no employer component

to the CTE program. DWD, with its knowledge of employer training needs and labor market dynamics, could potentially improve upon how the program links to needs of the employers. Perhaps to alleviate some concerns regarding a wholesale change in the focus of the program, DWD has committed to DPI and other stakeholders that they will operate the program, at least initially, substantially as it was developed by DPI [Alternative A1].

9. On the other hand, it could be argued that the bill may have the effect of reducing funding that is specifically set aside for public schools. Under the bill, school districts would be eligible to apply for workforce training grants from DWD, but no funding would be designated specifically for public school districts. Therefore, the total grants awarded to schools may be greater or less than \$3 million in any year. Additionally, because grants would be awarded based on criteria determined by DWD, it would be difficult for school districts to predict how much funding they may receive in a given year. Some argue that it would be preferable to provide a statutorily specified amount of aid to DPI in each year to the program, as is the case under current law [Alternative A3]. Some would also argue that if the program is transferred to DWD it would be preferable to continue to distribute funding based on predictable criterion, as is the case under current law [Alternative A2]. Under this alternative, DWD would be required to allocate at least \$3 million annually to the program, but would have the discretion to spend more.

Consolidation of GPR Grant Programs Under a Single Appropriation

10. To the extent that requests for workforce training grants reflect the broader economy, it is reasonable to assume that demand for the various programs under the newly consolidated workforce training appropriation will not be static. The rationale for consolidating formerly separate appropriations (standard WFF grants, YA grants, CTE grants, and apprenticeship completion awards) into a single appropriation is that the bill would increase the Department's ability to respond to employer training demand. That is, to the extent program demand, or program effectiveness, might decrease in one area, but increase in another, DWD would be able to respond accordingly. As noted, the initial three rounds of WFF training grants did not meet initial allocations (Table 2). The advantage of this model would be to have the option of allocating excess funding to its originally intended purpose - to train students and workers in any of the authorized program components [Alternative B1]. Although there would be no statutory requirement for a minimum level of funding for each program component, DWD has given verbal assurances that each new program component under the consolidated appropriation would have an identified target amount, much like how DWD currently allocated funding for the WFF grant program (see "Initial Program Allocations" column in Table 2). DWD has stated that it would respond to applicant requests for each program and would utilize stakeholder requests and labor market data to identify a target amount for each underlying program.

11. On the other hand, it could be argued that the proposed increase in the number of programs under DWD's workforce training appropriation increases the probability that programs will be in competition for funding if aggregate demand in the appropriation's sub-programs exceeds funding levels. For example, demand exceeded expectations at DPI for the first year of the CTE grant program, and grant awards are likely to be pro-rated at an estimated rate of 88% in FY15. If CTE grants are moved to the WFF appropriation, it would bring CTE grants in competition with

existing and future (YA grants and apprenticeship completion awards) grant award programs. In the current biennium, \$457,064 was requested by applicants of the apprenticeship completion awards program of \$450,000 appropriated, and \$4,855,766 was requested by applicants of the YA grant program of \$4,467,400 appropriated. These figures indicate that demand has met and somewhat exceeded current funding levels for each program. An additional concern is that, under current law, DWD must provide a youth apprenticeship program, apprenticeship completion awards, and career and technical education incentive grants. Under the bill, "shall" is deleted and replaced with "may" where the Department may provide a youth apprenticeship program, apprenticeship completion awards, and career and technical education incentive grants. This provision would eliminate funding certainty for the underlying program components. Furthermore, the statutory language in the bill would allow the Department, if it so chooses, to not award any grant funds to any one of the underlying programs in any given year. The Committee could retain the separate DWD appropriations at current funding levels [Alternative B2].

ALTERNATIVES

A. Career and Technical Education Incentive Grants Program

1. Approve the Governor's recommendation to delete \$6,000,000 (\$3 million each year) from DPI for career and technical education grants to school districts, and provide \$6,000,000 in DWD's workforce training grant appropriation, to develop and administer a career and technical education grant program.

2. Modify the Governor's recommendation to require DWD to make awards of at least \$3 million annually to school districts based on current criterion (\$1,000 per pupil for those students that obtained a diploma from a district school and successfully completed an industry-recognized certification program).

3. Delete provision. DPI would retain \$6,000,000 GPR and continue to administer the current CTE Technical Incentive Grant program.

B. Consolidation of DWD Grant Programs Under a Single Appropriation

1. Approve the Governors recommendation to repeal three DWD appropriations and transfer the funding to Wisconsin Fast Forward.

2. Retain Local Youth Apprenticeships and Apprenticeship Completion Awards as separate appropriations at current base funding levels (Table 1).

C. Lapse GPR to the General Fund

1. Lapse \$4 million GPR from the workforce training appropriation to the general fund on the effective date of the budget act.

ALT C1	Change to Bill
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GPR-REV	\$4,000,000
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2. Lapse \$2 million GPR to the general fund.

ALT C2	Change to Bill
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GPR-REV	\$2,000,000
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3. Take no action.

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