



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>

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Joint Committee on Finance

Paper #672

Youth and Adult Apprenticeship Programs (Workforce Development -- Employment and Training)

[LFB 2021-23 Budget Summary: Pages 640-642, #5 and #9]

CURRENT LAW

DWD's youth apprenticeship (YA) grants program is an expense reimbursement program with funding statutorily limited to \$900 per student served. The purpose of the grant is to sustain and expand the statewide YA program. All local youth apprenticeship consortia, which are partnerships between employers, school districts, technical colleges, labor, and other training or nonprofit organizations, must be approved by DWD and provide matching funds equal to at least 50% of grant funds awarded. Since 2019-20, the YA grants program has been provided \$5,000,000 GPR annually in base funding from the Department's local youth apprenticeship grants annual appropriation.

The Department's Apprenticeship Completion Award Program (ACAP) partially reimburses eligible apprentices, sponsors, and employers for certain costs of related apprenticeship instruction. The ACAP program is provided \$250,000 GPR annually in base funding from the Department's apprenticeship programs annual appropriation.

Under the early college credit program (ECCP), a public high school pupil can enroll in an institution of higher education for the purpose of taking one or more nonsectarian courses, including during a summer semester or session. DWD is required to pay to DPI a portion of the costs of tuition for a pupil attending an institution of higher education under this program on behalf of the school board. If the appropriation under DWD is insufficient to reimburse all school districts the full amount of reimbursable tuition, the Secretary of DWD would be required to notify the State Superintendent, who would then be required to prorate the amount of the payments among eligible school districts. The Department is provide \$1,753,500 GPR annually in an appropriation under DWD to reimburse school districts for ECCP payments.

DISCUSSION POINTS

YA Grant Funding

1. Table 1 shows that, prior to the pandemic, the number of students served by DWD's YA grants programs had grown at a rate close to 20% annually. Because apprenticeships are in sectors that have been less impacted by the pandemic, DWD has estimated the growth rate to be flat for the upcoming year, but to accelerate in the next biennium.

TABLE 1

Youth Apprenticeship Program Participation

<u>State Fiscal Year</u>	<u>School Year</u>	<u>Students Served</u>	<u>Growth (%)</u>
2022-23*	2023-24	7,156	9%
2021-22*	2022-23	6,556	10
2020-21*	2021-22	5,956	0
2019-20	2020-21	5,956	-2
2018-19	2019-20	6,064	19
2017-18	2018-19	5,078	16
2016-17	2017-18	4,362	22
2015-16	2016-17	3,561	

*Estimate provided by DWD.

2. When funding requested and approved exceeds available funds, YA grant awards are prorated from \$900 per student to a lesser amount. For the 2019-20 state fiscal year, \$5,000,000 from DWD's annual local youth apprenticeship grants appropriation was available to make grants. From this appropriated amount, \$4,975,937 was awarded on June 14, 2020, to 37 YA consortia, serving 5,956 students from 395 school districts for the current 2020-21 school year. Awards amounts were prorated at approximately \$835 per student served.

3. Assembly Bill 68/Senate Bill 111 (AB 68/SB 111) would provide \$250,000 annually to the Department's local youth apprenticeship grants appropriation to increase total funding to \$5,250,000 annually for YA grants. The increase of \$250,000 will provide for full awards for 5,833 students, about the same number as currently covered. The requested increase would not be enough to eliminate prorating but would minimize the amount of prorating necessary over the 2021-23 biennium.

4. The Committee could provide \$250,000 each year in additional funding for YA grants [Alternative 1a]. The Committee could also choose to provide enough funding to eliminate the need to prorate. Based on the estimates shown in Table 1, eliminating the need to prorate YA grant awards in the 2021-23 biennium, would require \$900,400 GPR in 2021-22 and \$1,440,400 GPR in 2022-23 over base funding [Alternative 1b].

Convert YA Grants Appropriation From Annual To Continuing

5. AB 68/SB 111 would convert the Department's local youth apprenticeship grants GPR appropriation from annual to continuing. DWD states that this change would allow the Department to reallocate funding among grant recipients based on actual program enrollments by year.

6. Local YA programs, which are administered by consortia of local schools and businesses, claim reimbursement of eligible program costs as they are incurred during the school year, against a grant that was awarded to them by the state in June of the state's prior fiscal year. For example, a consortium will claim YA program expenses for the current school year (September, 2020 – June, 2021), which falls in the 2020-21 state fiscal year, against a grant awarded by DWD in June 2020, that was awarded from 2019-20 appropriated funds.

7. According to DWD, contracting YA awards in June for an upcoming school year grant allows consortia to know grant amounts before the end of the current school year and is necessary for communicating with all stakeholders about the number of YA participants they should plan on supporting. YA grant amounts are calculated using local program enrollment estimates that are provided to the state in the school year preceding the school year for which funding is awarded. Actual YA enrollment and resulting reimbursements can vary from these initial projections.

8. According to the Department, prior to 2019-20, DWD could reallocate funding among consortia once actual enrollment was known, because the appropriation from which this funding was allocated was a continuing appropriation. For example, DWD could reallocate funds from YA consortia with lower than projected participation to those with higher than projected participation. 2017 Wisconsin Act 370 changed the YA appropriation from continuing to annual and, according to the Department, eliminated DWD's ability to reallocate funding between consortia, given funds obligated in the prior fiscal year cannot be reallocated in the following fiscal year when the actual YA participation is known.

9. Any unused GPR from the prior fiscal year must lapse from an annual appropriation to the general fund. This means that consortia with higher-than-projected participation cannot receive additional funding reallocated from consortia with lower-than-projected participation, and any GPR allocated to consortia with lower participation and underspending must lapse. Converting the YA grants appropriation from an annual to continuing appropriation would allow reallocations between fiscal years to resume [Alternative 2].

Allow YA Curriculum Funding From Any Allowable Source

10. DWD requests to be permitted to fund YA curriculum development from any allowable source. Under current law, the development of curricula for youth apprenticeship programs for certain occupational areas is required to be funded from DWD's general program operations GPR appropriation. For 2019-20, DWD obligated and fully expended \$200,200 on curriculum development. For 2020-21, \$252,000 was obligated for curriculum development and \$115,500 had been spent as of April, 2021.

11. DWD has stated that apprenticeship curriculum is important for maintaining quality and

consistency across similar programs, and that good curriculum is vital to maintaining a responsive and current apprenticeship program. DWD also states the importance of continually modernizing existing curriculum and creating new curriculum for new apprenticeship areas. DWD expects to perform curriculum maintenance on at least two YA occupations per year at \$50,000 per occupation, so curriculum would cost \$100,000 per year or \$200,000 for the 2021-23 biennium. DWD would likely draw curriculum funding from federal sources or from the Department's existing workforce training administration GPR appropriation, which specifies the YA program as an allowable administrative expense. Under AB 68/SB 111, this appropriation is provided base funding of \$3,652,800 annually [Alternative 3].

Transfer Early College Credit Program Funding To ACAP

12. AB 64/SB 111 would reallocate \$275,000 GPR annually to DWD's appropriation for the Apprenticeship Completion Award Program (ACAP) from the Department's existing appropriation for early college credit program (ECCP) tuition reimbursement. This would reduce base funding for tuition reimbursement from \$1,753,500 to \$1,478,500 GPR and would increase funding for ACAP from \$225,000 to \$500,000 GPR annually.

13. ECCP first went into effect in the fall of 2018, and DWD has received requests for payments for two school years. For school year 2018-19, school district costs charged to the program totaled \$367,911, and \$1,385,589 was lapsed in 2019-20. For school year 2019-20 school district costs charged to the program totaled \$338,350, and an estimated \$1,415,150 will lapse in 2020-21. Under current law, ECCP is unable to fully expend its \$1,753,500 appropriation.

14. Prior to 2017 Act 370, DWD was able to respond to increasing requests for ACAP awards by using available funds from the ACAP appropriation's continuing balance. Following 2017 Act 370, the total amount of the awards were capped at \$225,000, which was below the amounts awarded in prior years. The budgeted level of \$225,000 is the historical appropriation amount established in 2013 Act 57, which created the program. While 2019-20 was the first year with the lower funding level, the ACAP funding reduction was partially mitigated by the ability to charge some of the requested reimbursements to a special one-time discretionary federal apprenticeship grant that has subsequently closed. However, according to DWD, even with the one-time federal funds available in 2019-20 to expand coverage, there were apprentices with eligible requests who did not receive reimbursement.

15. Table 2 shows the actual and estimated number of ACAP recipients, total program payments, and average payments per apprentice. The estimated number of recipients in Table 1 was provided by DWD and assumes that a full pandemic recovery has occurred, that apprenticeship programs continues steady growth, and that the reimbursement level requested is the average from the prior three closed years \$418.

TABLE 2

ACAP Award Payments

<u>State Fiscal Year</u>	<u>ACAP Recipients</u>	<u>Awards Paid</u>	<u>Average Payment</u>
2022-23*	1,216	\$500,000	\$418
2021-22*	1,216	500,000	418
2020-21**	899	225,000	250
2019-20	943	361,805	384
2018-19	1,357	447,430	330
2017-18	563	303,586	539

*Estimate provided by DWD.

**Reimbursement cap met; no more reimbursements processed for FY21.

16. ACAP is administered by DWD's Bureau of Apprenticeship Standards (BAS). BAS may reimburse the apprentice, the employer, or the sponsor a maximum of \$1,000 for up to 25% of the tuition, book, materials, and other course fees directly associated with related instruction. The eligible party or parties that incurred the costs (apprentice, employer and/or sponsor) can request the following reimbursements from BAS:

- Year One: up to \$250, on or after the one-year anniversary of the apprentice's contract registration, so long as the apprentice remains in good standing
- Completion: up to \$1,000, inclusive of any Year One reimbursement, for up to 25% of total costs, after the apprentice successfully completes the apprenticeship

17. BAS disburses funds on a first-come, first-serve basis. ACAP funding is finite and annual and reimbursement from the program is not guaranteed. The Committee could provide \$275,000 GPR in additional funding for the ACAP program, an amount sufficient to provide an estimated 1,216 recipients an average reimbursement payment of \$418 [Alternative 4].

ALTERNATIVES

1. Provide one of the following for DWD's local youth apprenticeship grants appropriation.

- a. \$250,000 GPR annually

ALT 1b	Change to Base
GPR	\$500,000

- b. \$900,400 GPR in 2021-22 and \$1,440,400 GPR in 2022-23

ALT 1b	Change to Base
GPR	\$2,340,800

2. Convert DWD's local youth apprenticeship grants appropriation from annual to continuing.
3. Permit DWD to fund YA curriculum development from any allowable source.
4. Transfer \$275,000 GPR from the Early College Credit Program appropriation to Department's appropriation for the Apprenticeship Completion Award Program.
5. Take no action.

Prepared by: Ryan Horton