



Legislative Fiscal Bureau

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September 21, 2010

TO: Members
Joint Committee on Finance

FROM: Bob Lang, Director

SUBJECT: Governor's Request for Use of Economic Stimulus Funding for Department of Workforce Development Programs -- Agenda Item III

REQUEST

The Governor requests approval for an increase in expenditure authority of \$19,311,378 FED in 2010-11 to reflect the allocation of National Emergency Grants (NEGs) from American Recovery and Reinvestment Act (ARRA) funds in Department of Workforce Development (DWD) appropriation 20.445(1)(m), workforce investment and assistance; federal moneys. The requested increase in expenditure authority includes the following three awards: (a) \$3,421,645 for the Bay Area Multi-County Dual Enrollment Project; (b) \$13,614,919 for the Wisconsin Statewide Dual Enrollment Project; and (c) \$2,274,814 for the Wisconsin On the Job Training Project.

BACKGROUND

The state receives annual allowances of Workforce Investment Act (WIA) funds from the federal government. The ARRA provided additional amounts of these federal funds through NEGs to the state. According to the U.S. Department of Labor, NEGs are discretionary awards to states and workforce development boards (WDBs) that temporarily expand service capacity through limited time funding in response to significant dislocation events which cannot reasonably be accommodated with ongoing operations of the formula-funded dislocated worker program.

The federal WIA of 1998 required states and localities to bring together most federally funded employment and training services into a single, one-stop center system. Seventeen federal programs operated through four federal agencies, such as employment service (Wagner-Peyser) and Adult Education and Literacy were required to be provided through this one-stop system. Wisconsin is divided into 11 workforce investment areas (workforce development areas) that are led by WDBs. Each Board is responsible for oversight of the one-stop centers, known as Job

Centers in Wisconsin, in its area.

One function of each WDB is managing and disbursing, on the local level, federal WIA Title I funding for adult, dislocated worker, and youth services. The funding for services to youth, adults, and dislocated workers replaced programs previously funded under the federal Job Training Partnership Act (JTPA). The funds are allocated to the states by formulas, which are based on the level of unemployment and economically disadvantaged individuals, and the state populations in general. The funds are distributed to the WDBs based on the same criteria. WIA funding for 2010-11, not including the requested ARRA funds, is \$45,626,753, including \$19,934,322 for dislocated worker services. The state is allocated 5% of WIA funds for administration, and 10% for statewide activities, such as support for Job Centers. A portion of dislocated worker funds is allocated to rapid response activities, for cases such as unanticipated plant closings.

WIA requires that one-stop centers must provide three levels of services to dislocated workers, depending upon the needs of the individual--core, intensive, and training. Core services are usually self-directed in nature and are available to all individuals who seek service. Core services include: (a) intake and orientation; (b) assessment of skill levels, aptitudes, abilities, and supportive service needs; (c) job search and placement assistance; (d) job vacancy listings; (e) information on local occupations and earnings; (f) information on necessary job skills; (g) provision of information regarding employment statistics, performance and cost measures on training providers, and availability of supportive services (such as transportation, child care, and housing); (h) information on unemployment insurance claims; (i) referral to supportive services; and (j) follow-up services (such as counseling regarding the workplace). Core services must be provided directly through the Job Center, or through contracts with service providers that are approved by the WDB.

If core services are not sufficient for an individual to obtain employment, intensive services are available. Intensive services include: (a) comprehensive and specialized assessments of skill levels and service needs; (b) development of an individual employment plan; (c) group counseling; (d) individual counseling and career planning; (e) case management for those seeking training; (f) stand-alone GED training; and (g) short-term prevocational services (such as development of learning skills, communication skills, and interviewing skills). Intensive services must be provided through the Job Center, or through contracts with service providers, including public, private for-profit, and private non-profit service providers approved by the WDB.

If an individual has not obtained employment with the use of core and intensive services, the individual may be referred for training services. Training services include: (a) occupational skills training; (b) on-the-job training; (c) workplace training with related instruction, including cooperative education programs; (d) private sector training programs; (e) skill upgrading and retraining; (f) entrepreneurial training; (g) job readiness training; (h) adult education and literacy activities provided with other training services; and (i) customized training with a commitment by an employer to hire an individual upon successful completion of the training. Participants use an "individual training account" to select an appropriate training program from a qualified training

provider. Consequently, training services must be provided in a manner that maximizes consumer choice. Generally, the training must be directly linked to occupations in demand in the area, or in another area to which the individual is willing to relocate. Eligible training providers may include post-secondary educational institutions, entities operating apprenticeship programs, and other public or private providers.

Additional services are provided to eligible dislocated workers. Supportive services such as transportation, child care, dependent care, housing, and needs related payments may be provided under certain circumstances to allow an individual to participate in the program. Rapid response services are provided at the employment site for employees who are expected to lose their jobs as part of plant closings and/or mass layoffs. In addition, individuals whose layoff was caused or affected by international trade, may access information and services under federal trade adjustment act programs.

General eligibility for WIA services requires that an individual be: (a) an adult 18 years of age or older; (b) a U.S. citizen or eligible to work; and (c) registered with the selective service. The definition of dislocated worker includes individuals in one of the following categories:

a. An individual who: (1) was dislocated from employment in the last five years; (2) has a previous work history of two years if the individual is at least 22 years old, or has a work history of four years if the individual is under age 22, or is dislocated from work as the result of a permanent plant or facility closing, or substantial layoff, and (3) there is no recall date from the employer.

b. An individual who has been terminated or laid off, or has received a notification of termination or layoff and: (1) is eligible for or has exhausted entitlement to unemployment insurance; or (2) has been employed for a duration sufficient to demonstrate attachment to the workforce, but is not eligible for unemployment insurance due to insufficient earnings, or is not in covered employment; and (3) is unlikely to return to a previous industry or occupation.

c. An individual who has been terminated or laid off, or has received a notice of termination or layoff, from employment as a result of a permanent closure of, or substantial layoff at, a plant, facility, or enterprise.

d. An individual who is employed at a facility at which the employer has made an announcement that the facility will close within 180 days.

e. An individual who was self-employed (including employment as a farmer, rancher, or fisherman) but is unemployed as a result of general economic conditions in the community or because of a natural disaster.

f. An individual who is a displaced homemaker who is no longer supported by another family member.

ANALYSIS

As noted, the ARRA allocates federal funding to DWD of \$19,311,378 in 2010-11 for services to dislocated workers through three NEG awards issued by the U.S. Department of Labor: (a) \$3,421,645 for the Bay Area Multi-County Dual Enrollment Project; (b) \$13,614,919 for the Wisconsin Statewide Dual Enrollment Project; and (c) \$2,274,814 for the Wisconsin On the Job Training Project. Any modification to the plan submitted by DWD for expending these federal moneys requires approval from the U.S. Department of Labor.

As of June, 2010, the seasonally adjusted state unemployment rate was 7.9%, compared to 8.9% in June of 2009 and 4.5% in June of 2008. Initial unemployment claims for the week ending July 24 were 12,492. This compares to 18,510 for the comparable week in 2009 and 12,146 in 2008. Continuing unemployment claims for the week ending July 24 were 115,611 in 2010, 157,530 in 2009, and 94,842 in 2008. While the June, 2010, unemployment rate is lower than in June 2009, the unemployment rate is significantly higher than in June, 2008. These three NEG's would provide services to dislocated workers. According to DWD, dislocated workers that would receive training through these funds were primarily dislocated from either mass layoffs or plant closures in the manufacturing industry as a result of decreased demand during the national recession. DWD reports that 162,000 jobs, including 69,000 manufacturing jobs (representing 14% of total industry employment), were lost in Wisconsin between December, 2007, and June, 2010.

Bay Area Multi-County Dual Enrollment

The \$3,421,645 awarded under this NEG would provide comprehensive services, including case management, assessment, career counseling, short-term, long-term and contracted occupational skills training, relocation assistance, child care, and transportation support services, for dislocated workers. According to the Department of Labor, the primary purpose of dual-enrollment projects is to provide trade-eligible dislocated workers with "wrap-around" services that are not available through the trade program, and where state formula dislocated worker program funds are insufficient to provide such services to dislocated workers. The funds would be administered by the Bay Area WDA. DWD reports that the Bay Area WDA has seen a significant increase in the amount of dislocated workers seeking training services at the Job Center in Sheboygan. Due to the increased demand for WIA services, Bay Area WDA has established a temporary second location to provide supplementary WIA program services.

According to DWD, manufacturing accounts for one-third of all employment in the affected area for which the NEG would provide funding, as compared to 18% statewide. The funds would be provided for workers displaced from 16 companies located in the following counties: Door, Manitowoc, Marinette, Oconto, Shawano, and Sheboygan. Six of the affected companies were plant closures. DWD estimates that 1,334 dislocated workers would enroll for these comprehensive services at an estimated average cost of \$2,564 per participant.

Wisconsin Statewide Dual Enrollment Project

The \$13,614,919 FED awarded under this NEG would provide similar comprehensive services as the Bay Area Multi-County Dual Enrollment NEG. Funds would be distributed to all WDAs in the state, but not to the Bay Area WDA. According to DWD, high demand for dislocated worker services has led to long wait lists for services at Job Centers, and in some instances has suspended training services due to lack of funding. This grant would provide additional funds to continue serving dislocated workers.

DWD reports that WDAs under this grant would collaborate with the state technical college system to provide a more responsive training option for dislocated workers. Training services provided through this grant are expected to be long-term, and focus on training workers to enter high-demand occupations. The grant would cover training for dislocated workers from 82 different firms throughout the state, with the number of layoffs per firm ranging from 20 workers to over 900. DWD estimates that 3,391 dislocated workers would be served under this grant at an average cost of \$4,015 per participant. According to DWD, each local WDA prepared estimates of the number of workers to be trained and costs for training dislocated workers in the Department's application for the dual enrollment NEG submitted to the U.S. Department of Labor. Costs per participant may vary among WDAs depending on a variety of factors, such as the share of support services paid for by the local WDA, as well as the extent of training and services needed for each dislocated worker under the participant's reemployment plan. DWD reports that 75% of dislocated workers expected to receive services from this grant were employed in the manufacturing industry. According to DWD, funding levels provided to, and estimated number of dislocated workers participating at, each WDA would be as follows:

<u>WDA</u>	<u>Funding Level Provided</u>	<u>Estimated Number of Workers Trained</u>
Southeastern Wisconsin	\$1,705,088	231
Milwaukee Area	2,000,000	640
Waukesha-Ozaukee-Washington Counties	1,982,768	476
Fox Valley	876,720	221
North Central Wisconsin	1,246,432	325
Northwest Wisconsin	155,760	176
West Central Wisconsin	1,991,110	256
Western Wisconsin	621,752	172
South Central Wisconsin	2,149,967	548
Southwest Wisconsin	684,122	346
DWD Admin Cost	<u>201,200</u>	<u>N/A</u>
Total	\$13,614,919	3,391

Wisconsin On the Job Training Project

On June 25, 2010, the U.S. Department of Labor awarded \$75 million in ARRA funds for on-the-job training (OJT) in 41 states, three federally recognized tribes, and the District of Columbia. Wisconsin was awarded \$2,274,814 from this NEG for costs associated with training workers while on the job, as well as for counseling services to OJT participants. DWD indicates that funds would target: (a) current WIA dislocated worker participants without sustainable employment over the past two years; (b) dislocated workers with additional employment barriers, such as age, disability, limited English, or lacking the required skills for employment; (c) current WIA and ARRA dislocated worker participants with little direct work experience in a field, who have completed short-term or long-term training programs; (d) dislocated workers on waiting lists for WIA services; (e) referrals through the state's Reemployment Services initiative; and (f) veterans. Services would be provided statewide with funding administered by each of the state's 11 local workforce investment areas, as well as through the Local Veteran's Employer Representatives and the Disabled Veteran's Outreach Program.

OJT funding is provided for a portion of extraordinary costs associated with training workers entering a new field of employment. OJT funds may not be used to pay for standard new employee training, such as time spent for basic orientation. Funds awarded under this grant would be distributed by individual WDAs to participating WIA employers to compensate for a share of actual training costs associated with the OJT program. Federal law permits the state to provide OJT funding for training costs up to the following rates: (a) 90% of the OJT cost for employers with 50 or fewer employees; (b) 75% for employers with 51 to 250 employees; and (c) 50% for employers with 251 or more employees. OJT programs eligible for funding under this grant award must be no less than six weeks, nor more than 26 weeks in length. DWD estimates that 432 dislocated workers would receive training under this NEG at an average cost of \$5,266 per participant. DWD's expected distribution of OJT funds among the 11 WDAs, veteran's outreach programs, and the Department's administrative costs are shown below.

<u>WDA</u>	<u>Funding Level Provided</u>	<u>Estimated Number of Workers Trained</u>
Southeastern Wisconsin	\$271,575	102
Milwaukee Area	181,050	22
Waukesha-Ozaukee-Washington Counties	362,100	67
Fox Valley	126,735	18
Bay Area	90,525	21
North Central Wisconsin	54,315	5
Northwest Wisconsin	162,945	47
West Central Wisconsin	108,630	10
Western Wisconsin	72,420	9
South Central Wisconsin	362,100	51
Southwest Wisconsin	126,735	13
Veterans	324,974	67
DWD Admin Cost	<u>30,710</u>	<u>N/A</u>
Total	\$2,274,814	432

CONCLUSION

The U.S. Department of Labor, as authorized under the ARRA, has awarded Wisconsin three NEG's. Funding allocated under these grants would provide DWD's Division of Employment and Training additional one-time federal funding to meet higher demand for comprehensive services and on-the-job training to dislocated workers. The U.S. Department of Labor has approved funding provided under these grants based on the application plans provided by DWD. DWD believes that if the Committee were to alter distribution of funds under a specific NEG, it is possible that the modified plan may not be approved by the U.S. Department of Labor and previously awarded NEG funds may be rescinded from the state. Committee approval of these three grants would authorize increased expenditure authority of \$19,311,378 FED under DWD's appropriation 20.445(1)(m), workforce investment and assistance; federal moneys.

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