



## Legislative Fiscal Bureau

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July 23, 2019

TO: Members  
Joint Committee on Finance

FROM: Bob Lang, Director

SUBJECT: Workforce Development: Section 13.10 Request for One-Time Transfer of GPR for Youth Apprenticeship Grants -- Agenda Item I

### REQUEST

The Department of Workforce Development (DWD) submitted a request on July 15, 2019, under section 13.10 of the statutes, for approval to transfer \$3,030,900 GPR in 2018-19 from DWD's workforce training; programs, grants, and services ("Fast Forward") appropriation to the Department's local youth apprenticeship grants appropriation.

### BACKGROUND

The youth apprenticeship grant program is an expense reimbursement program with funding statutorily limited to \$900 per student served. According to the Department, the purpose of the grant is to sustain and expand the statewide youth apprenticeship program. All local youth apprenticeship consortia, which are partnerships between employers, school districts, technical colleges, labor, and other training or non-profit organizations, must be approved by DWD and provide matching funds equal to at least 50% of grant funds awarded. According to the Department, grant funds typically do not cover all expenses incurred in the operation of a youth apprenticeship program and are meant to augment other sources secured by each consortium. For example, employers pay the apprentice's wages, and school and other consortium partner staff often contribute time not compensated for by state grant funding.

Prior to 2015 Wisconsin Act 348, the youth apprenticeship grant program was funded from the Department's annual local youth apprenticeship grants GPR appropriation with base funding of \$2,233,700. Act 348 consolidated previously separate GPR appropriations for apprenticeship completion awards, local youth apprenticeship grants, employment transit assistance grants, and youth summer jobs programs into DWD's Fast Forward continuing appropriation. Under Act 348,

base funding from each previously separate appropriation was added to the base funding level of the Department's workforce training grants appropriation. Increased funding, expanded grant-making authority, and the consolidation of several appropriations into a single continuing appropriation all provided additional flexibility for DWD to fund a variety of programs at the discretion of the administration. In particular, the expanded funding and flexibility of having a consolidated, continuing appropriation permitted the Department to fund the youth apprenticeship grant program at an amount that exceeded the program's prior base funding level of \$2,233,700.

2017 Wisconsin Act 370 reversed several provisions of Act 348 and split DWD's Fast Forward continuing appropriation into eight separate annual GPR appropriations. The first column in Table 1 shows 2018-19 base funding for the consolidated Fast Forward continuing appropriation prior to Act 370, while the second column shows 2018-19 base funding amounts for each separate annual appropriation, as provided in Act 370. As shown in the table, the Department was given the same total appropriation authority under Act 370 as in prior law (\$13,595,900). However, because the workforce training grants and services appropriation was changed from a single continuing appropriation to eight separate annual appropriations, DWD's flexibility to reallocate funding among programs is eliminated and any amount not expended or encumbered from each new annual appropriation account by the end of the fiscal year lapses to the balance of the general fund.

**TABLE 1**

**DWD Workforce Training Grants Appropriation Before and After Act 370**

	<u>Prior to Act 370</u>	<u>After Act 370</u>
Workforce Training Grants and Services (Fast Forward)	\$13,595,900	\$6,250,000
Career and Technical Education Incentive Grants		3,500,000
Technical Education Equipment Grants		500,000
Teacher Development Program Grants		-
Apprenticeship Programs		225,000
Local Youth Apprenticeship Grants		2,233,700
Employment Transit Assistance Grants		464,800
Youth Summer Jobs Programs		<u>422,400</u>
Appropriation(s) Total	\$13,595,900	\$13,595,900

Act 370 specifies that any moneys not encumbered in the workforce training grants and services continuing appropriation account before the effective date of the bill (December 16, 2018) are required to lapse to the general fund. Table 2 shows the calculation for the estimated 2018-19 general fund lapse amount. The workforce training grants and services continuing appropriation account had a July 1, 2018, balance of \$57.6 million, with \$35.9 million in expenditures and encumbrances as of the effective date of Act 370. The remaining unencumbered balance of \$21.8 million is the amount that would lapse to the general fund, less the amounts expended or encumbered by the end of 2018-19 from the eight separate annual appropriations under Act 370. During 2019-21 budget deliberations, the 2018-19 lapse amount was reestimated to \$8.2 million. Due to a lower-than-expected level of encumbrances during the 2018-19 fiscal year, the current lapse estimate is

\$12.5 million, as indicated in the last column of Table 2.

**TABLE 2**

**Revised Lapse Estimate from DWD's Workforce Training Appropriations**

	Prior to <u>Act 370</u>	Post <u>Act 370</u>	Revised <u>Estimate</u>
2018-19 Opening Balance in Fast Forward			
Continuing Appropriation	\$57,637,700	-	-
Expenditures and Encumbrances	- 35,887,600	-	-
Unencumbered Balance	21,750,100	\$21,750,100	\$21,750,100
Total Estimated Encumbrances in Workforce Training			
Appropriations Created Under Act 370	-	-13,595,900	-9,295,900
Estimated Lapse	-	8,154,200	12,454,200
Local Youth Apprenticeship Supplemental Request	-	-	-3,030,900
Estimated Lapse Accounting for 13.10 Approval	-	-	9,423,300

If the Committee were to approve the Department's request to transfer \$3,030,900 GPR from DWD's Fast Forward appropriation to the local youth apprenticeship grant appropriation, an estimated \$9.4 million would lapse to the general fund, which exceeds the prior lapse estimate of \$8.2 million. The higher year-end lapse amount is due to estimated encumbrances during the 2018-19 fiscal year that are \$4.3 million less than originally expected.

**ANALYSIS**

DWD administers the local youth apprenticeship program by allocating funding from a given state fiscal year to grants in the succeeding school year. For instance, funding in the 2018-19 state fiscal year is allocated for the 2019-20 school year, which allows DWD to commit and encumber only those funds that have been appropriated by budget legislation. Table 3 shows that in the years prior to Act 370, available funding within the Fast Forward continuing appropriation was sufficient to meet program demand. DWD indicates under the previous funding structure, the Department would prioritize the full funding of all requests for local youth apprenticeships with the Fast Forward appropriation.

Starting with the 2018-19 fiscal year, during which Act 370 began to limit the program to an annual amount established by the Legislature, base-level funding of \$2,233,700 leaves an estimated funding shortfall of \$3,030,900. The 2019-21 biennial budget (2019 Wisconsin Act 9) increases base level funding for the Department's youth apprenticeship grants annual appropriation by \$2,766,300 GPR annually for total funding of \$5,000,000 GPR. Despite the additional base funding provided under Act 9, the 2018-19 funding gap would remain, should the program continue funding a school year's allocation with appropriations from the preceding fiscal year.

**TABLE 3****Youth Apprenticeship Grant Program Demand and Available Resources**

<u>School Year</u> <u>(State Fiscal Year)</u>	<u>Student</u> <u>Enrollment</u>	<u>Program</u> <u>Growth</u>	<u>Funding</u> <u>Required to Fully</u> <u>Fund Program</u>	<u>Funding</u> <u>Available</u>	<u>Funding</u> <u>Gap</u>
2015-16 (2014-15)	2,559		\$2,303,200	\$2,303,200	-
2016-17 (2015-16)	3,566	39%	3,209,100	3,209,100	-
2017-18 (2016-17)	4,339	22	3,905,200	3,905,200	-
2018-19 (2017-18)	4,839	12	4,355,400	4,355,400	-
2019-20 (2018-19)	5,618	16	5,264,600	2,233,700	\$3,030,900

The Department has encumbered the entire \$2,233,700 amount of 2018-19 state fiscal year base funding for the 2019-20 school year grants, leaving an unfunded balance of \$3,030,900. Provision of \$3,030,900 in one-time funding, as requested by the Department, would fully fund local youth apprenticeship grants for the 2019-20 school year and provide the full \$900-per-student grant amount. If the request is not approved and no additional one-time funding is provided, the Department could prorate the per-student grant amounts. In this scenario, the per-student rate would decrease from \$900 per student to an estimated \$382 per student, or a decrease of 58%. This option would likely create budget shortfalls for participating local youth apprenticeship consortia, which planned for 2019-20 school year program budgets based on the \$900-per-student grant reimbursement rate.

The Department could avoid prorating grant awards by instead encumbering 2019-20 fiscal year appropriations to fund award requests for the 2019-20 school year. While this strategy would fully fund the program in the current year, the Department, beginning in early 2021 for grants in the 2021-22 school year, would be in a position of considering funding requests while 2021-23 budget deliberations are ongoing and the Legislature is determining program funding.

Act 370 provided that during the 2018-19 fiscal year, DWD may submit to the Joint Committee on Finance one or more requests to transfer moneys from the unencumbered balance in the workforce training grants appropriation to the teacher development program grants and local youth apprenticeship grants appropriations to sufficiently fund those grant programs. Further, Act 370 specified that the Committee would not be required to make findings under s. 13.101 of the statutes that are otherwise required for a transfer between appropriations. Although the 2018-19 fiscal year ended June 30, 2019, DWD has stated that accounting transactions related to year-end closing will continue through the first week of August and that it would be able to encumber the necessary funds if the Committee grants the one-time funding transfer as requested.

It should be noted that legislation pending in the 2019-20 session is intended to address the program's funding deficiency. 2019 Assembly Bill 57 and companion Senate Bill 88 were introduced and public hearings held. SB 88 was recommended by the Senate Committee on Local Government, Small Business, Tourism and Workforce Development on May 10, 2019, and made available for scheduling. The bills would increase DWD's appropriation for youth apprenticeship grants for 2018-19 by \$2,766,300 from \$2,233,700, for a total of \$5,000,000 and provides that any unencumbered

amount from the appropriation would not lapse to the general fund at the end of 2018-19.

## **ALTERNATIVES**

1. Approve the Department's request to transfer \$3,030,900 GPR from the 2018-19 fiscal year unencumbered balance in DWD's workforce training; programs, grants and services (Fast Forward) appropriation [s. 20.445(1)(b)] to the appropriation for local youth apprenticeship grants [s. 20.445(1)(e)].

2. Deny the request. (Under this alternative the Department would need to either: (a) pro-rate grant awards at a lower per-student grant amount for the 2019-20 school year, or (b) use 2019-20 fiscal year funding originally provided to fund 2020-21 school year grant awards.)

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