

**REPORT ON THE WORKFORCE INVESTMENT ACT AND WORKFORCE
INNOVATION AND OPPORTUNITY ACT PROGRAMS
FUNDING AVAILABILITY AND TRAINING EXPENDITURES
BY LOCAL WORKFORCE DEVELOPMENT AREAS
FOR THE STATE FISCAL YEAR ENDED JUNE 30, 2016**

I. Introduction

This report is being submitted pursuant to Section 9600.5 of the California Unemployment Insurance Code (CUIC).

Senate Bill 302 (Chapter 376, Statutes of 2008) was signed into law in September 2008. This legislation added Section 9600.5 to the CUIC requiring the Director of the Employment Development Department (EDD) to annually report the training expenditures made by local workforce development boards.

Specifically, CUIC Section 9600.5 states,

“The director of the Employment Development Department shall report annually to the Governor, the Legislature, and the California Workforce Development Board, no later than November 30, regarding the training expenditures made by local workforce development boards in the prior fiscal year. The department shall specify what expenditures qualify as training expenditures using the definition of training provided for in Section 3174(c)(3)(D) of Title 29 of the United States Code. The annual report shall specify the total amount of federal funding provided to the state and to each of the local workforce investment areas for the adult and dislocated persons programs and the amount within each program expended for training services. A report submitted pursuant to this section shall comply with Section 9795 of the Government Code.”

II. Workforce Investment Act and Workforce Innovation and Opportunity Act Systems Overview

The Workforce Investment Act (WIA) legislation was superseded by the Workforce Innovation and Opportunity Act (WIOA) in July 2014. Although the WIA was superseded in 2014, the data in this report covers both WIA and WIOA activities due to the overlap in the reporting period and the time needed to transition from WIA to WIOA. The federal WIA of 1998 and WIOA of 2014 offer a comprehensive range of workforce development activities and services for adults and dislocated workers through statewide and local organizations. Available workforce development activities and training provided in local communities benefit job seekers, laid-off workers, incumbent workers, new entrants to the workforce, veterans, persons with disabilities, and employers. The purpose of these activities is to promote an increase in the participants' occupational skills that improve employment opportunities, job retention, and earnings.

During Program Year (PY) 14-15, there were 49 Local Areas designated by the Governor that provided WIA and WIOA services. These Local Areas received WIA and WIOA funds that were used to operate America's Job Centers of CaliforniaSM (AJCC) (until recently, referred to as One-Stop Career Centers) where services and training were obtained. While AJCCs use a variety of strategies for providing appropriate services that best meet their customers' needs, WIA law and regulations defined a flow of services which were divided into four specific categories. These categories are listed below.

1. Core Services

These basic but fundamental services are available to all customers providing labor market information; initial assessment of skill levels; and job search and job placement assistance.

2. Intensive Services

These staff-assisted services are available to eligible unemployed individuals who have completed at least one core service, but have not been able to obtain employment; or employed individuals needing additional services to obtain or retain employment that will lead to personal self-sufficiency. These services include, but are not limited to, job counseling, résumé writing, interviewing skills, and advanced skill assessments, etc.

3. Training Services

These services are available to eligible individuals who have met the requirements for intensive services and who have not been able to obtain or retain employment. In most cases, individual training accounts are established to finance training based upon the individual's choice of selected training programs and providers. Training services can also include customized training and on-the-job training opportunities contracted directly with employers.

4. Other Program Services

Costs reported in this category do not directly involve a WIA participant and are not categorized as training services. These program services include, but are not limited to, indirect program costs (i.e., costs and benefits for managers and staff not directly related to serving participants), marketing costs, advertising, membership dues, subscriptions, program planning and design costs, recruitment of employers for local job fairs, communication costs, user fees, consultant fees, insurance costs, information services costs, management information systems and supplies.

As described above, WIA required Local Areas to provide services using a triage approach due to the limited program resources. Individuals must first receive some core services prior to being approved for intensive and training services. This approach allowed the WIA system to serve the greatest number of clients possible given the available resources.

The WIOA law and regulations divides services into five specific categories. These categories are listed below.

1. Basic Career Services

These basic but fundamental services are available to all customers providing eligibility determination, labor market information, initial assessment of skill levels, and job search and job placement assistance.

2. Individualized Career Services

These staff-assisted services are available if determined appropriate in order for the individual to obtain or retain employment. These services include, but are not limited to, job counseling, résumé writing, interviewing skills, advanced skill assessments, development of an individual employment plan, etc.

3. Follow-Up Career Services

These services must be provided for up to 12 months after the first day of employment. These services include counseling regarding the workplace.

4. Training Services

These services are available to eligible individuals who have completed the interview, evaluation, and career planning requirements. In most cases, individual training accounts are established to finance training based upon the individual's choice of selected training programs and providers. Training services can also include customized training and on-the-job training opportunities contracted directly with employers.

5. Other Program Services

Costs reported in this category do not directly involve a WIOA participant and are not categorized as training services. These program services include, but are not limited to, indirect program costs (i.e., costs and benefits for managers and staff not directly related to serving participants), marketing costs, advertising, membership dues, subscriptions, program planning and design costs, recruitment of employers for local job fairs, communication costs, user fees, consultant fees, insurance costs, information services costs, management information systems and supplies.

Unlike WIA, WIOA does not require individuals to first receive basic career services prior to being approved for individualized and training services.

For more information about the accomplishments of the State's workforce system and the results achieved under the WIA and WIOA, readers can view the 2014-15 [Annual Report](#) which is issued by the California Workforce Development Board.

Federal law required that 91.25 percent of a state's WIA and WIOA Adult funding and 66.25 percent of Dislocated Worker funding be allocated to the Local Areas for PY 2014-15. The funding is allocated to each Local Area by statutory formula and is therefore referred to as "formula funds." The formula funds allocated to Local Areas are used to finance the operations of AJCCs where individuals can obtain the above program services.

III. Training Expenditure Specifications

Section 9600.5 of the CUIC requires the EDD to specify what expenditures qualify as training expenditures using the definition of training provided for in Section 3174(c)(3)(D) of Title 29 of the United States Code. Training services in this report include, but are not limited to occupational skills training, on-the-job training, entrepreneurial training, job readiness training, and adult education and literacy activities. This definition is consistent with the financial reporting requirements issued by the EDD to Local Areas regarding what services they are to report as training expenditures. On a quarterly basis, the EDD requires all Local Areas to report expenditures of formula funds. The EDD used the funding and expenditure information contained in these quarterly reports from Local Areas to prepare the report required under CUIC Section 9600.5.

IV. SB 734 Workforce Training Mandated Expenditure Levels

This legislative report prepared pursuant to CUIC Section 9600.5 is separate and distinct from another state workforce training expenditure mandate. In 2011, SB 734 (DeSaulnier, Chapter 498) enacted UI Code Section 14211, which requires, beginning program year 2012, that Local Boards spend at least 25 percent of their WIA (now WIOA) Title I Adult and Dislocated worker funds on workforce training programs. This mandated training expenditure target increases to 30 percent beginning in program year 2016. In meeting this target, up to a ten percent credit may be applied to the mandated expenditure levels for Local Boards that bring additional funds into the workforce system by leveraging other funds to provide training services. Pursuant to Section 14211, the EDD must calculate, within six months after the end of each two-year period of availability for WIOA funds, whether the Local Board met the mandated training target. Local Boards that do not meet the target are required to submit, within 90 days of receiving the EDD calculations, a corrective action plan that explains why the requirement was not met and what steps they will take remedy this situation. Please note that the dollar amounts and percentage levels presented in this report have been prepared using a different methodology for calculating training expenditures than is prescribed by the SB 734 mandate, and therefore they should not be construed as a means to

gauge compliance with the expenditure targets set forth under this separate mandate.

V. Total Available Funds and Expenditures for Adults and Dislocated Workers

The CUIC Section 9600.5 requires the EDD to specify the total amount of federal funding provided to the State and to each of the Local Areas for the Adult and Dislocated Worker programs and the amount expended for training services. To comply with these requirements, this report includes two detailed financial charts as attachments.

This report describes the total amount of available Adult and Dislocated Worker formula funds and expenditure information for the State Fiscal Year (SFY) 2014-15 allocation. These funds are made available to Local Areas for two years. The Local Areas had a two year period – July 1, 2014 through June 30, 2016 – to spend funds allocated for SFY 2014-15. As such, the expenditure data in this report covers the period of July 1, 2014, through June 30, 2016.

The attachments show the financial charts for the WIA and WIOA Adult and Dislocated Worker programs. Each chart provides financial information as reported to the EDD by each Local Area, as well as statewide totals.

The charts each include the following financial information in total, and by Local Area:

1. Total Formula Funds Available to the State and Local Areas

The WIA and WIOA allow Local Areas to expend base formula funds over two program years. The WIA and WIOA also allow Local Areas to transfer funds between the Adult and Dislocated Worker programs within any given program year. The charts show total available funds after taking into account any transfers within the allowed two program years.

2. Total Expenditures and Breakdown by Category of Expenditure

The WIA and WIOA authorize two types of expenditures: administration and program. Local Areas may expend up to 10 percent of available funds for administrative activities which include accounting, procurement, payroll, and audit functions. Program expenditures in WIA include core, intensive, and training services, as well as other activities associated with program functions. Program expenditures in WIOA include basic, individualized, follow-up career services, and training services, as well as other activities associated with program functions. The column containing training expenditures reflects amounts reported by each Local Area for the training services and activities specified in CUIC Section 9600.5.

VI. Conclusion

The WIA system was designed to provide customers with a graduated level of service commensurate with the customers' needs. This design ensured all customers received core services, and those who needed additional assistance were directed into intensive and training services if needed and if sufficient funds were available. There is no requirement for a sequencing of services under WIOA. However, a significant amount of time and resources have been spent by Local Areas during the last year transitioning from WIA to WIOA, which could have an impact on how much was actually spent on training.

There are many factors that determine the Local Areas' expenditures on training services. These factors include the total amount of formula funds received, the number of customers seeking services, and the local economic conditions and labor force needs. It should also be recognized that local workforce development boards establish funding priorities based on the Local Area's economic and labor force needs. Priorities are set so that they focus limited WIA and WIOA funds on training for the high demand occupations in the local economy.

The factors stated above and priorities set at the local level all have an impact on the amount each Local Area spends on training services. Some Local Areas have a greater need for training based on these factors. Conversely, other Local Areas may have a greater demand for core/intensive or basic/individualized career services resulting in a reduced percentage being spent on training.