



Legislative Fiscal Bureau

One East Main, Suite 301 • Madison, WI 53703 • (608) 266-3847 • Fax: (608) 267-6873

April 13, 2009

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

REQUEST

The Governor requests approval of the allocation of American Recovery and Reinvestment Act (ARRA) funds to the Department of Workforce Development (DWD) in 2008-09 as follows: (a) \$33,071,079 to the appropriation under s. 20.445(1)(m); and (b) \$5,000,000 to the appropriation under s. 20.445(5)(n). Of the \$33,071,079 allocated to the appropriation under 20.445(1)(m), \$25,779,530 is Workforce Investment Act (WIA) funding, and will be distributed to local workforce development boards for adult, dislocated worker, and youth programs. The remaining \$7,291,549 is Wagner-Peyser funding and will be used for administration of the Bureau of Job Services through the Division of Employment and Training.

The \$5,000,000 allocated to the appropriation under s. 20.445(5)(n) would be provided to the Division of Vocational Rehabilitation (DVR) for case service aids for disabled individuals.

BACKGROUND

The state receives annual allocations of WIA, Wagner-Peyser, and Title 1-B vocational rehabilitation funds from the federal government. The ARRA provided additional amounts of these federal funds to the state.

WIA Youth, Adult, and Dislocated Worker Programs

The federal Workforce Investment Act 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 workforce development boards (WDBs). Each Board is responsible for oversight of the one-stop centers, known as Job Centers in Wisconsin, in its area.

A 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 population in general. The funds are distributed to the WDBs based on the same criteria. WIA funding for 2008-09, not including the ARRA funds, is \$47,707,722, including \$10,024,911 for adult services, \$11,934,438 for youth services, and \$25,748,373 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.

Youth Services. Youth funds are used to provide workforce investment activities for eligible youth seeking assistance in achieving academic and employment success. To be eligible for services, a young person must be between the ages of 14 and 21, of low-income, and have at least one of six specific characteristics. These characteristics include: (a) deficiency in basic literacy skills; (b) a school dropout; (c) homeless, runaway, or foster child; (d) pregnant or a parent; (e) legal offender; or (f) requiring additional assistance to complete an educational program or secure employment. A disabled youth whose family does not meet income eligibility criteria may be eligible if certain other criteria are met. Youth programs include eligibility determination, assessments, and an individual service strategy. A WIA Title I-B youth program must include all of the following program elements: (a) tutoring, study skills, instruction leading to completion of secondary school, including dropout prevention strategies; (b) alternative secondary school services; (c) summer employment opportunities; (d) paid and unpaid work experiences; (e) occupational skill training; (f) leadership development opportunities; (g) supportive services, such as transportation; (h) adult mentoring; (i) follow-up services after exiting the program; and (j) comprehensive guidance and counseling. WIA emphasizes services to at-risk youth, especially out-of-school youth. A youth council attached to each WDB facilitates coordination of youth programs. Youth programs are coordinated with other related programs such as Youth Apprenticeship, Job Corps, and Community Youth Grants. Local criteria for grant awards to service providers include: (a) demonstrated effectiveness; (b) cost effectiveness; (c) qualifications and expertise of staff; and (d) demonstrated linkages with other youth providers, schools, and employers.

Adult and Dislocated Worker Programs. WIA requires that one-stop centers must provide three levels of services to adults and 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 adults and 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.

To be eligible for adult services an individual must 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.

Wagner-Peyser Administrative Funding

The federal Workforce Investment Act of 1998 (WIA) amended the federal Wagner-Peyser Act to include employment services as a part of a one-stop services delivery system funded by Wagner-Peyser moneys. As part of the one-stop system, employment services include: (a) job search assistance; (b) job referral; (c) placement assistance; (d) re-employment services to unemployment insurance claimants; and (e) recruitment services to employers with job openings.

A total of \$13,355,215, in Wagner-Peyser funds was provided in 2008-09, not including ARRA funds. Wagner-Peyser funds support DWD's Bureau of Job Service. Of the funds received, 10% is used to develop and provide labor market and occupational information, to maintain and continue to improve the statewide employment statistics, conduct other data collection, analysis and

dissemination activities to ensure an effective statewide employment statistics system, and upgrade of Job Center data systems. The remaining 90% is used to fund Bureau of Job Service staff and related employment services.

Federal Title 1-B Vocational Rehabilitation Case Service Aids

The Division of Vocational Rehabilitation (DVR) within DWD is required to advise and assist any disabled individual who applies to DVR for vocational rehabilitation services. Disabled individuals apply for services and staff counselors arrange evaluations to determine eligibility and subsequent rehabilitation services for those deemed eligible. After an individual completes the employment plan and he or she is determined to be rehabilitated, the case file is closed. The primary source of funds for DVR rehabilitation services is federal Title I-B funds. Each year the federal government allocates a certain amount of these funds to each state. A match of 21.3% of state funds to 78.7% federal funds is required to receive federal monies. Total federal Title 1-B case service aids funding is \$57,088,852 for federal fiscal year 2009, not including the additional ARRA funds.

Disabled individuals apply for services at a DVR field office (typically at a DWD job center) and staff counselors arrange medical, psychological, and vocational evaluations to determine eligibility and vocational rehabilitation needs. For those deemed eligible, the field staff develop individual rehabilitation plans (individualized plan for employment--IPE) and provide guidance and counseling. Services provided under the IPE can include: (a) job-related services, including job search and placement assistance; (b) vocational training; (c) diagnosis and treatment of physical and mental impairments, including use of prosthetic and orthodontic devices, and eyeglasses and visual services; (d) transportation; (e) on-the-job or other related personal assistance services; (f) interpreter services; (g) technical self-employment assistance; (h) rehabilitation technology, including telecommunications; (i) job-related services to the family; and (j) specific post-employment services necessary to retain, regain, or advance in employment. The individual rehabilitation programs are designed to assist the person to become capable to compete in the labor market, practice a profession, be self-employed, raise a family and make a home, and participate in sheltered employment or other gainful work. DVR counselors purchase required services and material for individual clients from local vendors.

Under federal law, if DVR services cannot be provided to all eligible individuals with disabilities in the state who apply for the services, the state plan must: (a) show the order to be followed in selecting eligible individuals to be provided vocational rehabilitation services; (b) provide the justification for the order of selection (OOS); (c) include an assurance that, in accordance with criteria established by the state for the order of selection, individuals with the most significant disabilities will be selected first for the provision of vocational rehabilitation services; and (d) provide that eligible individuals who do not meet the order of selection criteria must have access to services provided through an information and referral system.

When an individual is found eligible for vocational rehabilitation services, an order of

selection determination is completed. The individual's order of selection priority category is determined jointly by the counselor and individual by evaluating the individual's functional limitations, anticipated required services, and the duration of those services. DVR establishes a wait list of individuals who are eligible, but cannot be served due to lack of resources. When DVR determines it has adequate resources to serve more individuals on the waiting list, activations are made based on the category (individuals with the most significant disabilities are served first) and date of application.

There are three order of selection categories. Category 1 includes persons with a most significant disability. An individual has a most significant disability if a severe mental or physical impairment exists that seriously limits three or more functional capacities in terms of an employment outcome and whose vocational rehabilitation requires multiple services over an extended period of time. Category 2 includes persons with significant disabilities. An individual has a significant disability if a severe mental or physical impairment exists that seriously limits one or more functional capacities in terms of an employment outcome, and whose vocational rehabilitation requires multiple services over an extended period of time. An allowed social security disability insurance (SSDI) or supplemental security income (SSI) recipient is automatically considered to be, at least, an individual with a significant disability. Category 3 is for all other persons eligible for DVR services--those who do not have a disability that seriously limits one or more functional capacities and do not require multiple services over an extended period of time. "Multiple services" are two or more primary services needed to achieve a successful rehabilitation outcome. "Extended period of time" is defined as needing vocational rehabilitation services for six months or more, with a 90-day follow-up after achieving a successful rehabilitation outcome.

ANALYSIS

The American Recovery and Reinvestment Act allocates a total of \$38,071,079 in federal funds to DWD for the following: (a) \$25,779,530 for Workforce Investment Act adult, youth and dislocated worker services; (b) \$7,291,549 for Wagner-Peyser employment services; and \$5,000,000 for Title 1-B vocational rehabilitation case service aids. The funds can only be used for services that are eligible under current federal law. Federal guidance letters direct the states to spend the funding quickly, effectively, and concurrently with standard formula funds to increase the number of individuals that are served. DWD is required to track the use of ARRA funds separately.

The February, 2009, state unemployment rate was 7.7%, compared to 4.9% for February, 2008. Initial unemployment insurance claims for the week ending April 4 were 23,704. One year ago, initial claims amounted to 13,947 for the same week. Similarly, continued claims for unemployment insurance were 192,965 for the week ending April 4, while last year continued unemployment insurance claims amounted to 101,791. WIA and Wagner-Peyser funds would be used to provide employment services to unemployed and disadvantaged individuals at a time when unemployment is a serious issue in Wisconsin.

WIA Youth, Adult, and Dislocated Worker Programs

The distribution of federal Recovery Act WIA funding by program would be: (a) adult -- \$4,406,276; (b) youth -- \$11,737,490; and (c) dislocated worker -- \$9,635,764. The funds are expected to be used for training and "upskilling" disadvantaged populations.

The ARRA modifies certain program provisions related to adult, disadvantaged worker, and youth services. Generally, under adult and dislocated worker programs, before intensive services can be provided, local job center staff have to determine that an individual is unable to obtain employment through core services. In order to provide training services, the local staff must determine that the individual is unable to obtain employment through intensive services. Under ARRA, case workers are authorized to meet with individuals, and assess their skills. The case worker can then determine that core or intensive services will not be sufficient to result in employment and can provide services out of sequence. The provision of services can be provided in whatever order is determined appropriate for the individual. In addition, the eligibility age for receiving youth services is increased to 24 for ARRA funded youth services.

Federal guidance requires that the WIA funds be allocated to local development boards within 30 days after receiving the federal allocation. DWD received the federal allocation on March 18, 2009, so the funds must be distributed to WDBs by April 18, 2009.

Wagner-Peyser Administrative Funding

ARRA allocates \$7,291,549 in additional Wagner-Peyser funds to DWD. DWD indicates that the additional ARRA funding would be used to hire 50 employment and training specialist, two-year project positions to be field and assessment staff. The additional staff would provide reemployment services to unemployment insurance claimants, and other unemployed individuals. Other ARRA funds would be used to provide assessment tools, and to upgrade job center information technology systems and to track ARRA funding recipients

Federal Title 1-B Vocational Rehabilitation Case Service Aids

DWD receives an additional \$5,000,000 in federal Title 1-B vocational rehabilitation aids under ARRA. The additional ARRA federal funds do not require a state match. Currently, DVR has a wait list of over 5,000 eligible applicants for vocational rehabilitation services. The Division estimates that approximately 2,000 additional individuals would be activated in OOS category 2 from the wait list, and receive vocational rehabilitation services in 2009-10 and 2011.

ARRA and federal Department of Education (DOE) guidelines require DWD to report service progress to DOE for the period of April 1, 2009, to June 30, 2009. The submitted report will be used as a guideline in the allocation of ARRA funds for Title 1-B vocational rehabilitation aids. If the requested increase in expenditure authority for title 1-B aids is not approved before that period, the state might not receive its full federal ARRA Title 1-B allocation.

CONCLUSION

As required under the ARRA, the WIA and Wagner-Peyser funds would be used to provide employment and reemployment services to unemployed and disadvantaged individuals at a time of high state unemployment. These funds must be distributed to local WDBs by April 18, 2009. The Title 1-B funds would provide vocational rehabilitation services to disabled individuals and reduce the DVR wait list. Approval of the request would be consistent with the requirements and intent of the federal stimulus legislation to utilize the additional federal revenues expeditiously to improve the job skills of state residents.

BL/RS/sas