

**WASHINGTON STATE  
WORKFORCE TRAINING AND EDUCATION COORDINATING BOARD  
MEETING NO. 147  
MAY 10, 2010**

**WORKFORCE INVESTMENT ACT (WIA) 10 PERCENT FUNDS  
ADVISING THE GOVERNOR**

For reference, this tab includes the information that was provided in the March Board packet regarding WIA 10 Percent Funds. The only new information is that the U.S. Department of Labor has announced Washington's WIA allocation for PY 2010 that begins on July 1. Washington's 10 Percent Funds will be \$5,883,000 for PY 2010. This is an increase of \$254,000 from PY 2009.

One of the roles of the Workforce Board is to provide recommendations to the Governor for the allocation of the 10 percent of Workforce Investment Act (WIA) funds set aside for statewide activities. The Workforce Board offers advice and the Governor makes the final decision.

The process worked out with the Governor's Office in 2009 begins with the Governor determining the amount of funds, if any, that the Governor wants to dedicate for a particular purpose (such as assisting the aerospace industry), and the type of priorities the Governor has for other funds. Then, within those parameters, the Workforce Board conducts a transparent process, including broad stakeholder input to develop recommendations for the Governor's consideration. At the May meeting, the Board anticipates receiving direction from the Governor.

Included in this tab is a background paper on WIA 10 Percent Funds (the same paper as in March).

The Board will need to schedule a special meeting in order to act on recommendations to the Governor.

**Board Action Required:** None. For discussion only.

## **Workforce Investment Act Title I-B Funds for Statewide Activities (WIA 10 Percent Funds)**

The Workforce Investment Act (WIA) sets aside 10 percent of the funds allocated to states to be used for “statewide activities.” WIA requires that certain activities be performed with the 10 Percent Funds, and specifies other activities that are permitted, but not mandatory. The amount invested per activity, and whether investments are made in the permitted activities, is at the discretion of the Governor. The state Workforce Board advises the Governor on the use of the 10 Percent Funds.

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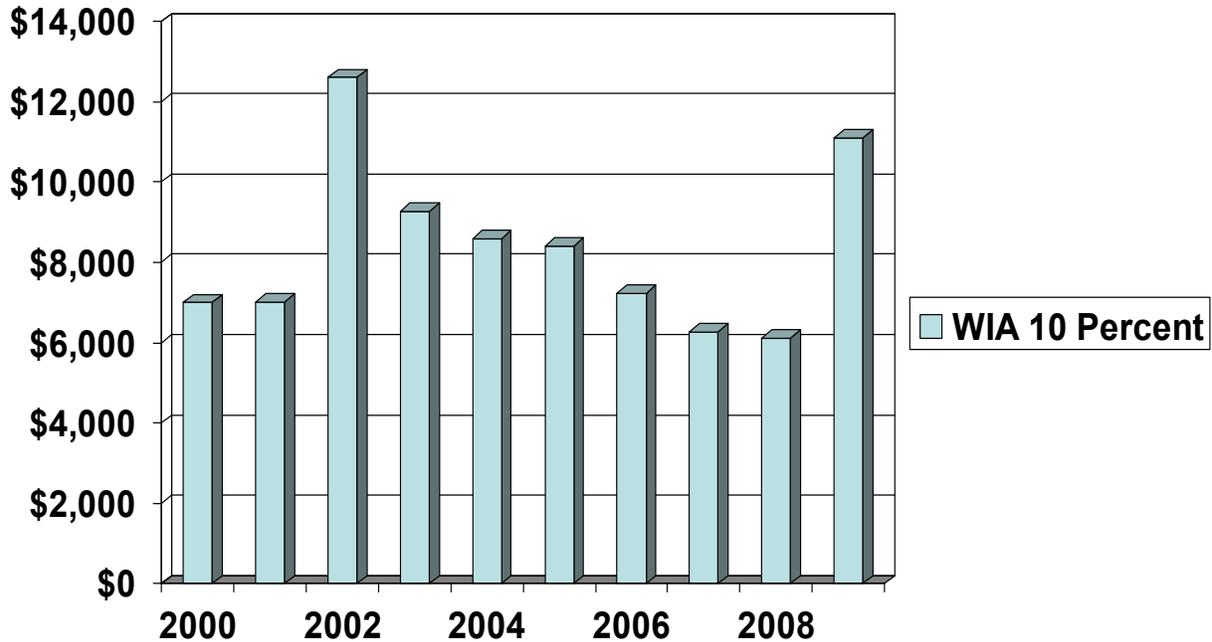
States receive a new annual appropriation on July 1 of each year. The amount varies widely depending on a national formula that takes into account the relative economic health of the states. The U.S. Department of Labor notifies states, usually in April or May, of the amounts to be allocated. In 2009, there were \$5,629,000 in PY 09 10 Percent Funds. In addition, the amount was supplemented by Recovery Act funds channeled through WIA. The figure on the next page shows the amounts of WIA 10 Percent Funds since 2000.

In Washington and other states, the 10 Percent Funds have been used to support three general purposes: 1) Operational infrastructure of WIA Title I-B; 2) Innovation; and 3) Job training and related services. The following is a brief description of each of these categories. Later in this paper is an attachment showing the allocation of WIA 10 Percent Funds for the past six years.

**1) Operational Infrastructure of WIA Title I-B:** The required activities for 10 Percent Funds are: a) Maintaining a consumer report system on the results of training programs and a list of the programs that meet the minimum performance standards—the Eligible Training Provider List (ETP); b) Conducting evaluations; c) Providing incentive grants to local boards for coordination and exemplary performance; d) Providing technical assistance to local areas that fail to meet performance targets; e) Assisting in the establishment and operation of the one-stop career center system (known as WorkSource in Washington); and f) Operating a fiscal and management information system (the SKIES and other systems in Washington).

Over the years, Washington has allocated 10 Percent Funds for all the required operational infrastructure activities. States may also use some of the 5 percent of the total funds that are set aside for WIA administration to support these activities. Washington has done so in the form of using some of the 5 percent funds to help support the costs of staff engaged in these activities. Among the required activities, Washington is nationally known for its consumer report system/ETP List and for going beyond the minimum evaluations required by the Department of Labor. Washington has used WIA 10 Percent Funds to support more in-depth and additional evaluations mandated by state statute. This research, among other things, uncovered the need for I-BEST, which integrates literacy and occupational skills training, and the need for Training Benefits, which extends unemployment insurance for unemployed workers in retraining.

WIA 10 Percent Funds  
(in thousands)  
(2009 includes Recovery Act Funds)



**2) Innovation:** The permissible uses of WIA 10 Percent Funds include research and demonstration and the development of exemplary program activities. The purposes of innovation investments include identifying and removing service gaps, improving participant outcomes, and improving system efficiency. Washington has allocated 10 Percent Funds for a number of innovations that resulted in Washington being considered a leading edge state by the U.S. Department of Labor, National Governors Association and others. Among these are Industry Skill Panels—local partnerships of business, labor and education and training providers that assess skill gaps in a particular industry and design ways to close the gaps. Washington’s Skill Panels are among the first such programs in the nation. About half of the states have followed suit. Another innovation was the use of WIA 10 Percent Funds to build school and community partnerships to address the high school dropout problem—prior to the “Building Bridges” dropout prevention and retrieval program.

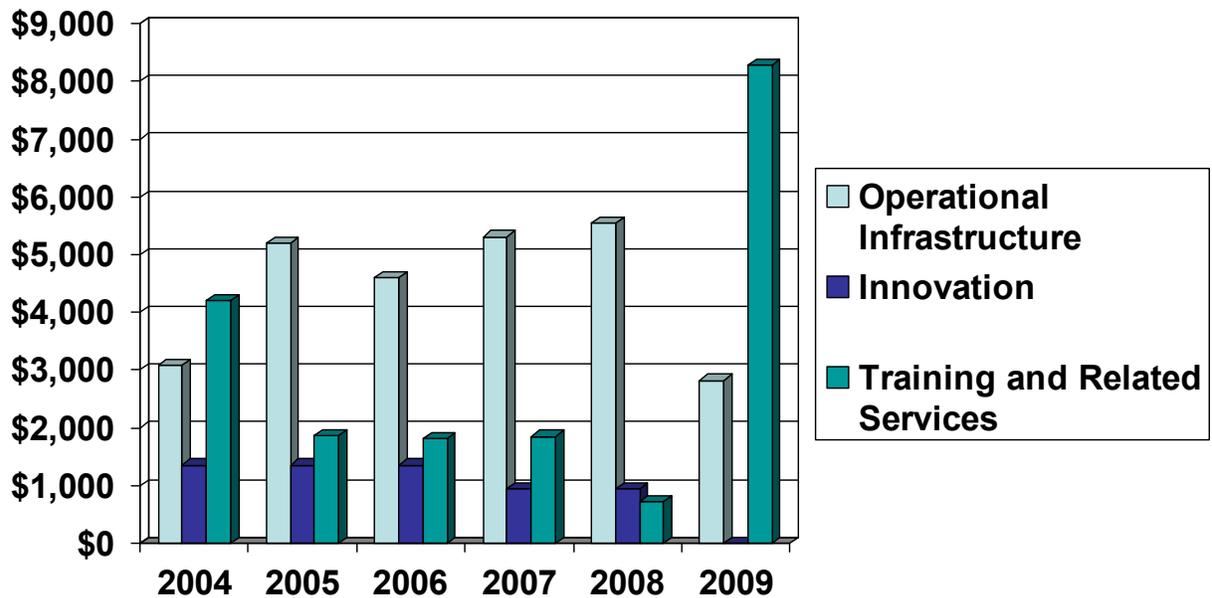
**3) Training and Related Services:** WIA 10 Percent funds may be used to provide additional funds—in addition to the formula dollars that go out to the local areas—to train disadvantaged adults and dislocated workers. The 10 Percent Funds may also, unlike the local dollars, be used to train incumbent workers for higher skill jobs. Washington has allocated 10 Percent Funds for both purposes. Over the years, the governor has allocated dollars to local areas to supplement their formula funds for training, and provided dollars at the state level for special projects; such as aerospace. The governor has frequently held back some WIA 10 Percent Funds as a contingency to fund training for specific projects if the need or opportunity arises.

Across the nation, the use of 10 Percent dollars by various governors has come under scrutiny by the Department of Labor. WIA Title I-B funds may be used for economic development activities,

only if they are directly related to training for eligible individuals. WIA funds may be used to train job applicants or new hires only if the individuals are economically disadvantaged or dislocated workers. WIA funds may be used to train incumbent workers only if the workers are low income or the training creates job openings for disadvantaged adults or dislocated workers. Training for firms relocating from other states may be offered only after 120 days from the date of relocation. States are not supposed to use the funds to take jobs away from other states.

The figure below shows WIA 10 Percent Allocations for the past six years per the above three categories: operational infrastructure, innovation, and training and related services.

Allocation of WIA 10 Percent Funds  
(in thousands)  
(2009 includes Recovery Act Funds)



As the above figure shows, the split of funds between operational infrastructure, innovation, and training and related services was relatively similar between 2005 and 2008, with a modest decline in allocations for innovation and training. In 2009, substantial changes were made. No funds were allocated for innovation, funding for operational infrastructure was reduced in half from 2008 and there was more than a ten-fold increase in the funds for training and related services. The increase was due to the allocation of all the Recovery Act 10 Percent Funds for the purpose of training, and the allocation of \$1.5 million of PY 2009 10 Percent Funds to support training for the aerospace industry. The only year where a split at all similar to this occurred was in 2004, when \$3.5 million of the 10 Percent Funds were also allocated to support training for aerospace, although in 2004, \$1.35 million was still allocated for innovation.

As of February 2010, only \$56,000 of the \$5.5 million in Recovery Act 10 Percent Funds allocated for training has been obligated. None of the \$1.249 million allocated to the Workforce Development Councils (WDCs) for training in high demand occupations has been expended. Nor

has any of the \$1.5 million allocated for aerospace training been expended. Recovery Act funds are available until June 30, 2011. WIA funds are available for three years (until June 30, 2012). Processes are in place to obligate the funds before the end of the fiscal year. The vast majority of these funds earmarked by the Governor for training will be spent next year.

## **Agency Impacts**

The 2009 reduction in funds for operational infrastructure and the zeroing out of funds for innovation had the largest effect on the budget of the Workforce Board. The Board's total WIA 10 Percent allocation was reduced by \$1,191,000 (or 66 percent) from current level funding.<sup>1</sup> In order to accommodate the reductions in funding, the Board ceased funding skill panels and suspended state statutory required surveys of program participants. The surveys have been the only means of determining if participants are employed in jobs related to their training.

In addition to WIA 10 Percent, the Workforce Board also receives funds from the State General Fund, the federal Carl Perkins Career and Technical Education Act, the Tuition Recovery Trust Fund (for private career schools), and some of the WIA 5 Percent Funds for administration. The Workforce Board's total operating budget for the current year was reduced from a current level of \$4,290,000 to \$2,950,000, a 31 percent reduction.

The other major reductions in current year funding are funds for fiscal and management information systems operated by the Employment Security Department, and for WDC operation of the WorkSource one-stop career center system. Funding for information systems was reduced from \$2,835,000 to \$2,000,000. This funding supports technology used in direct service, particularly SKIES and GO2WorkSource.com—the site for WorkSource e-services. The Employment Security Department turned to other funding sources to help make up the difference, including Wagner-Peyser Funds. During the current year, Employment Security Department's funding through WIA increased substantially from the previous year due to the Recovery Act funds, including 5 Percent Funds for administration.

Other funding for the operation of WorkSource was reduced from \$1,885,000 to zero. In the past, this funding was allocated to the local WDCs. The WDCs' incentive fund was also reduced from \$120,000 to zero. The WDCs did, however, receive an increase in funds for training and related services—\$1,249,000 from WIA 10 Percent—and will be the recipient of all the Governor's Recovery Act 10 Percent funds. The WDCs' overall funding through WIA also increased by approximately 80 percent from the previous year due to the infusion of Recovery Act funds (10 Percent and formula allocation to local areas).

The attachment provides additional historical information on WIA 10 Percent allocations.

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<sup>1</sup> "Current level funding" refers to the funding required to maintain current WIA and state statutory functions. State statutes place the Workforce Board's evaluations on a multi-year cycle. In the current year, every Workforce Board evaluation required by state statutes was supposed to be completed.

## Attachment

### Historical Allocation of WIA 10 Percent Funds

#### Operational Infrastructure (Required Activities)

**Eligible Training Provider List (ETPL) and Evaluations:** The Workforce Investment Act (WIA) requires the state to establish performance criteria and maintain a list of training programs that meet the criteria and are eligible to receive Individual Training Account vouchers for training funded through WIA Title I-B. The state is also required to evaluate the effectiveness of the workforce investment system, including the 17 core indicators for WIA Title I-B, and report the results for the state as a whole and for each of its 12 Workforce Development Areas. Costs vary from year to year in a cyclical pattern, since the system outcome evaluation is conducted every other year, and the net impact evaluation is conducted every four years. Since 2009 is a year in which all state-required evaluations are to be performed, the cost would have been \$955,000. In order to accommodate the reduction in funds, surveys of program participants were suspended. These surveys are required under state statute.

Category	2004	2005	2006	2007	2008	2009
ETPL and Evaluations	\$400,000	\$1,000,000	\$500,000	\$820,000	\$450,000	\$720,000

**Incentive Grants for Exemplary Performance:** This money has been directed to Workforce Development Councils (WDC) that meet or exceed performance targets. WDCs may use the funds for any purpose authorized by WIA. In earlier years, not shown in the table, the amount was substantially higher.

Category	2004	2005	2006	2007	2008	2009
Incentive Grants	\$300,000 (Carry Forward (CF))	\$300,000	\$200,000	\$200,000	\$120,000	\$0

**Development and Expansion of One-Stop System:** WIA requires the state to operate a “one-stop” career center system with access to 15 workforce development programs. WIA 10 Percent money has been used to fund infrastructure and implement innovations that broaden partner participation and customer access. Sample investments have included: facility upgrades to include Americans with Disabilities Act modifications; replacing personal computers, printers and other equipment in resource rooms and at staff work stations; partner staff training in assistive technology and other topics; and purchasing marketing materials for job seekers and businesses. In 2004, no funds were allocated to this category in order to maximize funds available for the 7E7 Dreamliner Project. In 2008, the funds were allocated through grants to advance the integration of WorkSource services across programs. In 2009, no funds were allocated for this category in order to provide more funding for training.

Category	2004	2005	2006	2007	2008	2009
One-Stop	\$0	\$1,200,000	\$1,200,000	\$1,255,000	\$1,885,000	\$0

**Operate a Fiscal and Management Information System:** When it passed WIA, Congress reduced allowable administrative limits and it informed states that the 10 Percent Funds were an appropriate source to cover the costs of information technology systems. To support the one-stop systems, the state has directed funds to consolidate and coordinate multiple fiscal and participant (customer) tracking systems and self-service access. These include: WorkSource presence on the Internet (Go2Worksource), Dataflex, Datamart, Services Knowledge and Information Exchange System (SKIES), unemployment insurance benefit payment interface and JAS (WorkFirst). SKIES is the major recipient of these 10 Percent Funds. Information systems include making information about job openings available in-person or via the Internet. The expenses for SKIES covers: system administration and operation; software development, maintenance, upgrades and hardware maintenance.

Category	2004	2005	2006	2007	2008	2009
Information Systems	\$2,689,200	\$2,700,000	\$2,700,000	\$2,835,000	\$2,835,000	\$2,000,000

### Permissible Activities

**Capacity Building and Technical Assistance:** A permissive use of WIA 10 Percent Funds is the “provision of capacity building and technical assistance to local areas, one-stop operators, and one-stop partners ...” Washington did not earmark funds for this category until 2007. The 2007 funding included three different allocations. 1) \$45,000 to the Employment Security Department to provide technical assistance to local areas, including assistance in job referrals and job order taking, and the use of management measures and the Department of Labor’s common measures (in 2008 the funds were earmarked for staff cross-training); 2) \$50,000 to the Workforce Board to contract with the Institute for Workforce Development and Economic Sustainability at the Association of Washington Business. The purpose of the contract was to provide one-time seed money to enable the Institute to take on the management of the Work Readiness Credential; and 3) \$100,000 to the Washington Workforce Association (WWA) to provide technical assistance to WDCs for “one-stop career centers.” In recent years, the WDCs used \$100,000 of the \$1,200,000 they received for “one-stop” to contract with WWA for technical assistance. This switched the funding allocation directly to WWA, but made no change in the amount.

Category	2007	2008	2009
Capacity Building and Technical Assistance	\$ 195,000	\$250,000	\$100,000
Employment Security Department	\$ 45,000	\$100,000	\$0
Workforce Board	\$ 50,000	\$ 50,000	\$0
Washington Workforce Assoc.	\$ 100,000	\$100,000	\$100,000

**Innovation (“Research and Development” and “Development of Exemplary Program Activities”)**

**Industry Skill Panels/High Skills, High Wages Strategic Fund:** Industry Skill Panels are partnerships of employers, labor and training providers. The panels assess skill gaps in their industry and design actions to close the gaps. Such actions have included the development of new courses, skill standards, customized training, recruitment efforts, internships, loaned faculty, shared facilities and others. Skill panels improve efficiency by targeting workforce development activities (including incumbent worker training) to areas identified by industry representatives as necessary to close skill gaps in their industry. In 2008, funding was increased in order to include funds for training as part of the “High Skills, High Wages Strategic Fund.” In 2009, funding was reduced to zero in order to provide funds for the aerospace industry and high demand training by the Workforce Development Councils.

Category	2004	2005	2006	2007	2008	2009
Skill Panels	\$680,000	\$680,000	\$680,000	\$400,000	\$950,000	\$0

**Dropout Prevention and Intervention (DPI):** Beginning with FY 2003, funds were used to establish school/community partnerships and leverage Basic Education Act (BEA) dollars for dropout prevention and retrieval. This effort led to the establishment of the state “Building Bridges” program and General Fund-State funding. Subsequently, funding from WIA 10 Percent Funds was eliminated.

Category	2004	2005	2006	2007	2008	2009
Youth Dropout Prevention and Intervention	\$670,000 \$670,000 (CF)	\$670,000	\$670,000	\$550,000	\$0	\$0

## Training and Related Services

**Training for Incumbent Workers, Job Applicants, and New Hires:** Permissible activities for WIA 10 Percent Funds include “Implementation of innovative incumbent worker training programs.” Every year since at least 2004, the Governor has allocated some of the WIA 10 Percent Funds to support customized training for incumbent workers. In 2006, the state allocated \$700,000 to the Workforce Development Councils to use for incumbent worker training, dropout prevention or one-stop. Reports indicate that the majority of the funds were used for incumbent worker training. In 2007, the allocation was reduced to reflect increased state funding for customized training through the Job Skills Program (JSP). \*In 2008, funding for training and skill panels were combined in the “High Skills, High Wages Strategic Fund,” the allocation for which is included above under Skill Panels. WIA 10 Percent Funds may also be used to support other activities authorized under the Act. In 2009, the Governor allocated funds for training and related services for high demand occupations. This training is not limited to incumbent workers.

Category	2004	2005	2006	2007	2008	2009
Training	\$ 700,000 \$1,000,000 (CF- Apprenticeship)	\$700,000	Up to \$700,000	\$600,000	*	\$1,249,000

**Governor’s Reserve/Initiatives:** Money has been held in reserve to enable the Governor to fund activities not originally planned or for special initiatives. Most of the funds have been used for training and related services. In 2004, all the funds were allocated to support the 7E7 Dreamliner project. In 2009, the Governor allocated \$1,500,000 to support the aerospace industry, and \$5.53 million in Recovery Act 10 Percent Funds to support training and related services for high demand occupations.

Category	2004	2005	2006	2007	2008	2009
Governor’s Reserve Fund/ Initiatives	\$3,500,000 \$1,500,000 (CF) \$1,000,000 (Wagner Peysers CF) \$1,000,000 (Wagner Peysers)	\$1,162,184	\$1,014,087 plus carry forward from 2005	\$1,250,000	\$712,000	\$1,500,000  \$5,530,000 ARRA