



Edmund G. Brown Jr.  
Governor

# **Training Expenditures by Local Workforce Development Areas**

**A Report to the California Legislature**

**November 30, 2017**

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The Honorable Members of the California State Legislature  
California State Senate and Assembly  
State Capitol  
Sacramento, CA 95814

Dear Members of the California State Legislature:

Passed in 2008, Senate Bill 302 (Chapter 376, Statutes of 2008) added Section 9600.5 to the California Unemployment Insurance Code (CUIC). This section requires the Director of the Employment Development Department to provide an annual report on Local Workforce Development Board (Local Board) training expenditures to the Governor, Legislature, and the California Workforce Development Board by November 30th of each year.

To comply with CUIC Section 9600.5, the attached report identifies the total amount of funds allocated to each Local Workforce Development Area in Program Year 2015-16 for the Workforce Innovation and Opportunity Act adult and dislocated worker programs, along with the total amount of training expenditures reported by each Local Board. Expenditures identified for training include, but are not limited to:

- Occupational skills training,
- Customized training,
- On-the-job training,
- Incumbent worker training, and
- Supportive services that enable a participant to attend and complete training.

Printed copies of this report are available to any legislative member upon request.

The report can also be viewed online at the following link:

[www.edd.ca.gov/About\\_EDD/EDD\\_Legislative\\_Reports.htm](http://www.edd.ca.gov/About_EDD/EDD_Legislative_Reports.htm).

Sincerely,

/s/ PATRICK W. HENNING  
Director

## I. Introduction

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

Senate Bill 302 (Chapter 376, Statutes of 2008) was signed into law in September 2008. This legislation established CUIC Section 9600.5 which requires the Director of the Employment Development Department (EDD) to provide an annual report on Local Workforce Development Board (Local Board) training expenditures to the Governor, Legislature, and the California Workforce Development Board (State Board) by November 30th of each year.

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 Innovation and Opportunity Act Overview

Signed into law in 2014, the Workforce Innovation and Opportunity Act (WIOA) superseded the Workforce Investment Act of 1998 and amended the Adult Education and Family Literacy Act, the Wagner-Peyser Act, and the Rehabilitation Act of 1973.

The WIOA offers a comprehensive range of workforce development activities to help job seekers and workers access the employment, education, training, and support services to succeed in the labor market and match employers with the skilled workers they need. These workforce development activities are administered at the local level and can be beneficial to job seekers, laid-off workers, incumbent workers, veterans, persons with disabilities, employers, etc. The main purpose of these activities is to increase a participants' employment, job retention, earnings, and/or occupational skills.

The Governor is responsible for designating Local Workforce Development Areas (Local Areas) throughout the state who receive funding for the WIOA adult, dislocated worker, and youth programs. The Chief Elected Official (CEO) of each Local Area then appoints a Local Workforce Development Board (Local Board) which is responsible for

developing and implementing strategies to meet the needs of workers, job seekers, and employers in their area. Customers are able to access employment and training services through locally based America's Job Center of California<sup>SM</sup> (AJCC) locations.

For the WIOA adult and dislocated worker programs, there are five categories of services that funds are expended on. These include the following:

1. Basic Career Services

These basic but fundamental services are available to all customers. These services include, but are not limited to, providing eligibility determination, labor market information, initial assessment of skill levels, and job search and job placement assistance.

2. Individualized Career Services

These services are available if determined to be 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, and development of an individual employment plan.

3. Follow-Up Career Services

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

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.

Federal law required that 90 percent of the state's Program Year (PY) 2015-16 WIOA adult funding and 65 percent of WIOA dislocated worker funding be allocated to the

Local Areas. The funding is allocated to each Local Area according to a statutory formula and are therefore referred to as “formula funds.” Formula funds allocated to Local Areas are used to finance operations and deliver services within the local workforce delivery system.

For more information about the accomplishments of the state’s workforce system and the results achieved under the WIOA, please view the PY 2015-16 [Annual Report](#) issued by the State Board.

### **III. Training Expenditure Specifications**

CUIC Section 9600.5 requires the EDD to specify what expenditures qualify as training expenditures. This code section also provides a mandatory list of services that qualify as training expenditures. The EDD has reviewed the list of training services contained in this statute and has concluded that, other than the inclusion of “case management,” the list is representative of the training services defined by WIA and WIOA law and regulations, and is consistent with the financial reporting requirements issued by the EDD to Local Areas regarding what services they are to report as training expenditures. The Department of Labor (DOL) administrative guidelines, WIA, and WIOA classify case management as an intensive service or an individualized career service, respectively, not a training service. 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.

#### *Senate Bill 734 Mandated Training Expenditure Levels*

Please note that this legislative report pursuant to Section 9600.5 is distinct from another training expenditure mandate in state law. In 2011, Senate Bill (SB) 734 (DeSaulnier, Chapter 498) enacted UI Code Section 14211, which requires that Local Areas spend at least 30 percent of their WIOA Title I Adult and Dislocated Worker funds on workforce training programs. To incentivize Local Areas to develop partnerships for training investments, up to a ten percent credit may be applied to the mandated expenditure levels by those Areas that leverage other, non-WIOA funds for 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 each Local Area has met its 30 percent training target. Local Areas that do not meet the target are required to submit, within 90 days of receiving EDD’s calculations, a corrective action plan that explains why the requirement was not met and describes steps that will be taken to address the deficiencies. The dollar amounts and percentage levels presented in this legislative report were prepared using a different methodology for calculating training

expenditures than as prescribed by SB 734, and therefore the figures presented here should not be used as a means to gauge compliance with the 30 percent expenditure target set forth under Section 14211.

#### *Assembly Bill 1149 Changes to Training Expenditure Reporting*

Effective January 1, 2018, Assembly Bill 1149 (Chapter 324, Statutes of 2017) harmonizes the two reporting requirements of SB 302 and SB 734. Specifically, the bill repeals CUI Section 9600.5 and amends CUI Section 14211 to include the reporting requirements of SB 302. Under CUI Section 14211, the EDD will be required to submit an annual report to the Governor, Legislature, and the California Workforce Development Board related to the training and supportive services expenditures made by each Local Area on or by November 30. These new reporting requirements include:

- The expenditures that qualify as a training and supportive services expenditures.
- The total amount of adult and dislocated worker funding provided to the state and each local area and the amount spent on training services.
- The total amount of leveraged resources reported by each Local Area to meet the expenditure requirement.
- The leveraged resources spend on both training and supporting services.

#### **IV. Total Available Funds and Expenditures for Adults and Dislocated Workers**

The CUI Section 9600.5 requires the EDD to specify the total amount of federal funding provided to the state and to each Local Area for the WIOA adult and dislocated worker programs as well as the amount expended for training services. The total amount of available funds and expenditure information in this report are for PY 2015-16, which covers the period of July 1, 2015, through June 30, 2017. To comply with these requirements, this report includes two detailed financial charts.

The attachments show the financial charts for the PY 2015-16 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 two charts for adult and dislocated Worker funding each include the following financial information in total and by Local Area:

##### 1. Total Formula Funds Available to the state and Local Areas

The WIOA allows Local Areas to expend base formula funds over two program years. WIOA also allows 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 that were requested by Local Areas, within the allowed two program years.

2. Total Expenditures and Breakdown by Category of Expenditure

The WIOA authorizes 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 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 training services.

**V. Conclusion**

There are many factors that determine the Local Area's 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. The Local Boards within each Local Area are responsible for establishing funding priorities based on their area's unique economic and labor force needs which helps to ensure they are focusing their limited resources on training that is tied to high demand occupations.

The unique needs of the local population being served also has a large impact on the amount each Local Area spends on training services. Whereas some Local Area's participants may have a greater need for training services, others may have a greater need for basic or individualized career services, resulting in a reduced percentage being spent on training services.

This report was prepared by the Workforce Services Branch of the  
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