

**REPORT ON THE WORKFORCE INVESTMENT ACT PROGRAM
FUNDING AVAILABILITY AND TRAINING EXPENDITURES
BY LOCAL WORKFORCE INVESTMENT AREA
FOR THE STATE FISCAL YEAR ENDED JUNE 30, 2014**

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 report annually the training expenditures made by Local Workforce Investment Boards.

Specifically, CUIC Section 9600.5 states,

“The director of the EDD shall report annually to the Governor, the Legislature, and the California Workforce Investment Board, no later than November 30, regarding the training expenditures made by local workforce investment boards in the prior fiscal year.

The department shall specify what expenditures qualify as training expenditures, including, but not limited to, the price paid for classroom instruction or other training opportunities, contracted services for customized training and on-the-job training, development of training materials, and supportive services, including case management, that enable a participant to attend and complete training. 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.”

The EDD has followed the above mandate to the extent possible; however, there is a discrepancy between the classification of training services in federal law and the language in the CUIC. As explained further in Section III of this report, under the Workforce Investment Act (WIA), case management is not identified as a training service, but rather as an intensive service. Because federal law and guidelines drive reporting, the expenditures for case management are reported under intensive services. If the local workforce investment area quarterly reports did in fact capture case management services as training, the expenditures in that category would have been significantly higher in some local workforce investment areas.

II. Workforce Investment Act System Overview

The federal WIA of 1998 offers 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 can 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.

There are currently 49 local workforce investment areas designated by the Governor that provide WIA services. These local workforce investment areas receive WIA funds that are used to operate America's Job Centers of CaliforniaSM (AJCC) (until recently, referred to as One-Stop Career Centers) where services and training can be obtained. While AJCCs use a variety of strategies for providing appropriate services that best meet their customers' needs, WIA law and regulations define a flow of services which are 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 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, the WIA requires local workforce investment 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 allows the WIA system to serve the greatest number of clients as possible given the available resources, but also utilizes WIA funds in the most strategic and cost-effective manner. For more information about the accomplishments of the State's workforce system and the results achieved under the WIA, readers can view the Program Year 2012-13 [Annual Report](#) which is issued by the California Workforce Investment Board.

Federal law requires that 95 percent of a state's WIA Adult funding and 70 percent of Dislocated Worker funding be allocated to the local workforce investment areas. The funding is allocated to each local workforce investment area by statutory formula and is therefore referred to as "formula funds." The formula funds allocated to local workforce investment areas are used to finance the operations of AJCCs where individuals can obtain core or intensive services. If those services are not sufficient for the individual to obtain or retain employment, he or she may receive training services.

III. Training Expenditure Specifications

The 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 law and regulations, and is consistent with the financial reporting requirements issued by the EDD to local workforce investment areas regarding what services they are to report as training expenditures. The WIA and Department of Labor administrative guidelines classify case management as an intensive service and not a training service. On a quarterly basis, the EDD requires all local workforce investment areas to report expenditures of formula funds. The EDD used the funding and expenditure information contained in these quarterly reports from local workforce investment areas to prepare the report required under CUIC Section 9600.5.

IV. 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 workforce investment areas for the Adult and Dislocated Worker programs and the amount expended for training services. The total amount of available funds and expenditure information in this report are for State Fiscal Year (SFY) 2012-13, which covers the period of July 1, 2012, through June 30, 2014. To comply with these requirements, this report includes two detailed financial charts as attachments.

The attachments show the financial charts for the SFY 2012-13 WIA Adult and WIA Dislocated Worker program. Each chart provides financial information as reported to the EDD by each local workforce investment 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 workforce investment area:

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

The WIA allows local workforce investment areas to expend WIA base formula funds over two program years. The WIA also allows local workforce investment 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 workforce investment areas, within the allowed two program years.

2. Total Expenditures and Breakdown by Category of Expenditure

The WIA authorizes two types of expenditures: administration and program. Local workforce investment areas may expend up to 10 percent of available funds for administrative activities which include accounting, procurement, payroll, and audit functions. Program expenditures include core, intensive, and training services, as well as other activities associated with program functions. The column containing training expenditures reflects amounts reported by each local workforce investment area for the training services and activities specified in CUIC Section 9600.5.

V. Conclusion

The WIA system is designed to provide customers with a graduating level of service that is commensurate with the customer's needs. This design ensures all customers receive core services, and those who need additional assistance will be directed into intensive and training services if needed and if sufficient funds are available. The design also ensures the greatest numbers of customers are served, while using limited funds in a strategic and cost-effective manner.

There are many factors that determine the local workforce investment 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. It should also be recognized that local workforce investment boards establish funding priorities based on the local area's economic and labor force needs. Priorities are set so that they focus limited WIA 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 workforce investment area spends on training services. Some local workforce investment areas have a greater need for training based on these factors. Conversely, other local workforce investment areas may have a greater demand for core and intensive services resulting in a reduced percentage being spent on training.