

**REPORT ON THE WORKFORCE INNOVATION AND OPPORTUNITY ACT
PROGRAM FUNDING AVAILABILITY AND TRAINING EXPENDITURES
BY LOCAL WORKFORCE DEVELOPMENT AREA
FOR THE STATE FISCAL YEAR ENDED JUNE 30, 2018**

I. Introduction

Section 14211 of the California Unemployment Insurance Code (CUIC) requires the Director of the Employment Development Department (EDD) to provide an annual report to the Governor, Legislature, and the California Workforce Development Board by November 30 of each year. The report must identify the training and supportive services expenditures incurred and reported by each of the Local Workforce Development Areas (Local Area). It must also include the total amount of federal Workforce Innovation and Opportunity Act (WIOA) funding provided to the state and to each Local Area for the adult and dislocated worker programs, and the amount of these federal funds expended for training services. The report must also include, for each Local Area, the total amount of leverage funds utilized as training-expenditure allowances to meet the expenditure requirements. The report shall specify the share of leverage funds that were expended on both training and supportive services for each Local Area.

This financial analysis was prepared pursuant to Section 9600.5 of the CUIC, which was repealed effective January 1, 2018, and pursuant to Section 14211 of the CUIC. Due to the passage of Assembly Bill 1149, the EDD changed the system for collection of data required, which will be reflected in Program Year 2017-18 report. The expenditures shown on each report are for Program Year 2016-17 as of June 30, 2018. Expenditures identified for training include, but are not limited to: the payments for classroom instruction or training, contracted services for customized training, on-the-job training, development of training materials, and supportive services that enable a participant to attend and complete training.

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 EDD to report annually 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.”

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 CUIIC. The Workforce Investment Act (WIA) legislation was superseded by the Workforce Innovation and Opportunity Act (WIOA) in July 2014. As explained further in Section III of this report case management is not identified as a training service, but rather as an intensive service in WIA and an individualized career service in WIOA. Because federal law and the Department of Labor (DOL) guidance drive reporting, the expenditures for case management are reported under intensive services and/or individualized career services. If the Local 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 Areas.

II. Workforce Innovation and Opportunity Act Systems Overview

The federal WIOA of 2014 offered 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 benefited job seekers, laid-off workers, incumbent workers, new entrants to the workforce, veterans, persons with disabilities, and employers. The purpose of these activities was to promote an increase in the participants' occupational skills that improve employment opportunities, job retention, and earnings.

During Program Year 2016-17, there were 46 Local Areas designated by the Governor that provided WIOA services. These Local Areas received WIOA funds that were used to operate America's Job Center of CaliforniaSM (AJCC) sites where services and training were provided. The AJCCs use a variety of strategies to provide appropriate services that best meet their customers' needs.

WIOA law and regulations divide services into five 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, 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. These services include counseling regarding the workplace.

4. Training Services

There is no sequence of service requirement for training. This means that the AJCC staff may determine training is appropriate regardless of whether the individual has received Basic or Individualized Career services first. However, if training services are provided before career services, staff must document the circumstances that justify the determination to provide training without career services (Title 20 Code of Federal Regulation Section 680.220(b)).

Per Title 20 CFR Section 680.220 an individual must at a minimum receive either an interview, evaluation, or assessment, and career planning or any other method through which enough information to make an eligibility determination for training services. There is no requirement that career services be provided as a condition to receipt of training services; however, if career services are not provided before training, the Local Workforce Development Board must document the circumstances that justified its determination to provide training without first providing the eligibility intake process described above.

5. Other Program Services

Costs reported in this category do not directly involve a WIOA participant and are not categorized as training services. Other 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.

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 Program Year 2016-17 [Annual Report](#), issued by the California Workforce Development Board.

Federal law required that 85 percent of a state's WIOA Adult funding and 60 percent of Dislocated Worker funding be allocated to the Local Areas for Program Year 2016-17. 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 described program services.

III. Training Expenditure Specifications

The CUIC Section 9600.5 requires the EDD to specify which expenditures qualify as training expenditures. This section also provides a mandatory list of services that qualify as training expenditures. The EDD has reviewed this list and has concluded that, other than the inclusion of “case management,” the list is representative of the training services defined by WIOA law and regulations, and is consistent with the financial reporting requirements issued by the EDD to Local Areas stipulating what services they are to report as training expenditures.

The DOL and WIOA administrative guidelines classify case management as an individualized career service, 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.

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 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) 2016-17, which covers the period of July 1, 2016, through June 30, 2018. To comply with these requirements, this report includes two detailed financial charts as attachments.

The attachments show the financial charts for the SFY 2016-17 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.

Each chart includes 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. The 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 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 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 CUIIC Section 9600.5 (excluding case management).

V. Conclusion

There are many factors which determine a Local Area's expenditures on training services. These factors include the total amount of formula funds received, the number of customers seeking services, and 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 to focus limited WIOA funds on training for 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. Based on these factors, some Local Areas have a greater need for training. Conversely, other Local Areas have a greater demand for core/intensive or basic/individualized career services, resulting in a reduced percentage being spent on training.