

HR 1 Impact on Minnesota's WorkForce Center System

HR 1 zeroes out all new funding for the Workforce Investment Act's (WIA) Title I Adult, Dislocated Worker, and Youth formula grant programs in Program Year (PY) 2011. It also eliminates nearly all funding for WIA's discretionary grants and rescinds \$175 million in unobligated Dislocated Worker Reserve and National Emergency Grant funding.

The U.S. Department of Labor (USDOL) reports that the national WIA system *carried over* \$1.1 billion from PY 2009 to PY 2010. This \$1.1 billion nationwide does not include obligations. Expenditures are a very incomplete picture of money available in the workforce system. States have requested uniform definitions from USDOL for expenditures, obligations, and accruals for the past several years. It is widely acknowledged that states do not report uniformly because USDOL regional offices have inconsistent definitions. WIA is a training program and training costs are one- to two-year obligations to customers to fund tuition, books, fees, etc. However, training can't be reported as expenditures until the student can no longer receive a refund on the semester's tuition, the school has invoiced the service provider, and the payment is made. Wages and benefits for staff performing direct customer service at WorkForce Centers cannot be reported as expenditures until paid or accrued. Staffing costs or staffing commitments for the remainder of a program year cannot be reported as an obligation or as an expenditure. Contracts for services (like IT development and maintenance; customer support services such as child care) are obligations and not expenditures until billed by vendor and paid by provider. All state and local expenditures are reported quarterly, 45 days after a quarter ends. WIA dollars are reported as obligated or as accrued expenditures. Stating there is \$1.1 billion *carried over* is like calling the bank for an account balance on June 30th, without accounting for outstanding checks.

What does this mean for Minnesota?

Minnesota's WIA resources are the foundation of the one-stop service delivery system. Eliminating federal *WIA FUNDS* beginning July 1, 2011 will have compounding impact on all partners, job seekers, and employers:

- Other one-stop partners will have to pay the additional infrastructure costs limiting their ability to serve their population and/or one-stop offices will need to close leaving other partners in flux as to where to provide their services.
- No new applicants will be enrolled in training.
- Commitments to current customers will not be able to be fulfilled. Students will have to find other funding for their second year in training or drop out of school.
- Thousands of Minnesotans who face significant barriers to employment (recent immigrants, ex-offenders, or even just those with low skills) will not receive career counseling, vocational training, job search skills, or job placement assistance.
- At-risk youth to include high school drop-outs, juveniles, youth in foster care, minorities, youth with a disability, will not receive work experience, basic life skills, and remedial education necessary for them to enter the workforce. Youth already are experiencing a 21% unemployment rate.
- Many services will be limited to online internet services assuming customers know how to access and have access to the internet.
- Additional unemployment insurance costs for laid-off WIA staff will eat up any carry-forward.
- The gap between business demand for skilled workers and adequate supply will increase. Many businesses, including Darlene Miller, a recent Minnesota business owner appointed to the President's Council on Jobs and Competitiveness, say that businesses need more skilled workers to recover from the recession, and that government has an appropriate training role.

WIA Customers Served & Trained in Minnesota

Program/Population	Average PY07-PY09
All Claimants & Exhaustees	257,184
Permanently Separated Claimants & Exhaustees	126,925
WIA Adult Served	3,056
WIA Dislocated Workers Served	8,182
WIA Youth Served	4,559
WIA In Training	7,014

Minnesota's Customers Who Enter Employment (includes Youth Placed in Employment or Education)

Program/Population	Average PY07-PY09
WIA Adult	750
WIA Dislocated Workers	1,661
WIA Youth Placed In Employment or Education	860