Training Policy in Illinois: A Minimum Training Expenditure Requirement for WIA Title I

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ABSTRACT

The extent to which funds under the Title I of the Workforce Investment Act (WIA) should be expended on training services has been a topic of discussion by Congress, which is considering reauthorization of WIA. This paper describes a policy initiative by Illinois that requires Local Workforce Investment Areas (LWIAs) under Title I of WIA to expend at least 40 percent of total program expenditures for training services. It describes the policy, the rationale for the policy, and how it was developed and implemented. In addition, this paper addresses the initial results of the policy and its implications for reauthorization of WIA.

BACKGROUND

The predecessor program to WIA, the federal Job Training Partnership Act (JTPA), placed a greater emphasis on the provision of training services to low-income adults and dislocated workers. JTPA included a minimum training expenditure requirement as well as stronger targeting requirements for disadvantaged adults. By contrast, WIA Title I was, at least initially, much more focused on shorter-term "core and intensive" services intended to return participants back to work as quickly as possible. This coupled with the WIA Title I requirements for movement of participants through a "sequence of services" were seen by many as an indication of the so-called "work-first" emphasis of the program although the United States Department of Labor, Employment and Training Administration (USDOL/ETA) had clarified that the program design was not intended to deemphasize training. In addition to these features, rigorous performance management requirements including severe consequences for failure for LWIAs (and states) provided further impetus to decrease the emphasis on service to at-risk individuals, especially low-income adults.

These national trends had their counterpart in Illinois. The decline in participants receiving training, both in absolute and percentage terms was noted as part of a baseline evaluation of WIA Title I in Illinois that was completed in 2004 for the Illinois Department of Commerce and Economic Opportunity (DCEO), the state administrative entity for WIA Title I in Illinois. This evaluation, along with a policy decision to increase the linkage between workforce and economic development strategies in the state, led to a series of initiatives by DCEO which were intended to increase investments in training, and target training services toward responding to critical skill shortages facing the state.

In spite of these policy changes, by PY 2005 only 37 percent of WIA Title I adult and dislocated worker registrants were receiving training services, down from 49 percent in PY 2001. The combined effects of reduced federal WIA funding and increased costs for personnel and facilities, coupled with the structural trends described above had resulted in a steady decline in the provision of training. To fully assess the extent of this decline, DCEO conducted a special survey of LWIA expenditures going back to PY 2003. The results of this survey revealed that by the end of PY 2005, only ten of the state's 26 LWIAs had expended more than 40 percent of their program funds on training, and several LWIAs had spent less than 20 percent of program funds on training (Figure 1).

As part of the response to the survey, a minimum training expenditure policy was developed and implemented in November of 2007 to reverse this trend toward declining training investments. The rationale for the policy was three-fold: (1) training is a fundamental purpose of WIA Title I, and a lack of access to training undermines public and Congressional support for the program; (2) training services are needed to significantly improve the employment and earnings potential of WIA Title I participants, especially low-income adults, and (3) WIA Title I must be a source of training investment if it is to play its proper role in support of the state's larger workforce and economic development strategy. This rationale was accepted by the Director of DCEO and the Illinois Workforce Investment Board (IWIB), and became the basis for moving forward with an expenditure policy.

DESCRIPTION OF THE POLICY AND ITS IMPLEMENTATION

Definition of Training: How training is defined is of primary importance in determining the impact of the policy. Which types of expenditures are considered training for purposes of the expenditure requirement? Under the Illinois policy, training services include the following expenses:

- Occupational classroom training through Individual Training Accounts (ITAs);
- Occupational classroom training, other than ITAs, i.e., contracts for training;
- Academic remediation/ pre-vocational services;
- Books, materials and related expenses;
- Customized training;
- On-the-job training (OJT);
- Participant support, such as transportation, child care, tutoring, and mentoring, including support services to clients whose training is paid for with non-WIA funds, e.g., Pell Grants;
- Incumbent worker training;
- Work experience, including internships; and
- Occupational bridge programs, which are training programs which blend workplace competencies, career exploration, and basic literacy and math skills in an occupational context.

It is important to note that staff costs were not included in this definition. The only exception to this prohibition was staff costs for assessment, case management and job placement incurred by an eligible training provider on behalf of WIA clients enrolled in training at that training provider. This is substantially different than prior training expenditure requirements under JTPA, which allowed staff costs for case management to be considered a training expense.

During the period that this policy was being developed, Illinois received a grant from the Joyce Foundation under its Shifting Gears initiative. The main objective of this initiative is for states to comprehensively examine their policies and make changes to improve the transition of lower-skilled adults into credit postsecondary instruction and employment. In Illinois, a key result of the first phase of the Shifting Gears initiative was the development of a definition of bridge instruction that has been adopted across career and technical education, adult education and workforce programs under WIA Title I. This definition is incorporated into the WIA Title I training expenditure policy.

Setting and Applying the Expenditure Level: The level of 40 percent was adopted as a minimum required expenditure of WIA Title I program funds, i.e., not including administrative expenditures in the calculation of total expenditures. This level was applied on an annual basis, and separately to the adult and dislocated worker funding streams at each LWIA. It was not applied to WIA youth funds, because this was not seen as necessary, given the very different targeting and program requirements for these funds. Consistent with the concept of a minimum threshold, the 40 percent level was chosen because the expenditure history suggested that most LWIAs were already at this level, or could reach it with moderate changes in budget priorities. In the case of some LWIAs, significant shifts in funding were required, however. The required level was also a product of recognition of the rigor of the training definition used to determine which expenditures would count as training.

Implementation of the Expenditure Level: Given the significance of the change for many LWIAs, the expenditure requirement was phased-in. LWIAs expending below 40 percent in PY 2006 were given two years to come up to the minimum before any serious sanctions would be imposed. These LWIAs were required to negotiate interim expenditure target levels with the state.

Enforcement of the Required Expenditure Level: The policy provides sanctions for non-compliance, also phased in during PY 2007 and PY 2008. All LWIAs falling below the required level receive technical assistance and are required to develop a plan to correct the problem. Those LWIAs failing to meet the required level will lose WIA incentive funds, and if the problem persists, would be placed on high-risk status, which enables the state to direct expenditures as necessary to achieve the required level.

DEVELOPMENT OF THE POLICY

In April of 2007, the State Plan Task Force of the IWIB was formed as part of the approval of the WIA strategic plan. Specifically, the plan contained a statement making a commitment to the development of the training expenditure policy. The Task Force included representatives of the private sector, state educational agencies, LWIAs and organized labor. A crucial element in the development of the policy was the Task Force review of staff issue papers on each of the main policy components, and the consideration of written comments it received from the Chicago Jobs Council (CJC), the American Federation of State, County and Municipal Employees (AFSCME), the Illinois Workforce Partnership (IWP), as well as individual Task Force members. The Task Force held four meetings and presented its report to the IWIB on September 20, 2007, which approved the policy recommendations.

DCEO supported implementation of the policy via the issuance of policy notifications, instructions for modification of local plans, and individual negotiation of goals with those LWIAs that were below the 40 percent level. In addition, the state provided a technical assistance workshop on the training requirement, and continues to work with individual LWIAs to assist them in coming into compliance with the required spending level.

INITIAL RESULTS

The policy became effective with Program Year 2007. Since the implementation of the policy, the number of LWIAs meeting the 40 percent level has increased dramatically (Figure 1). In addition, the overall training expenditure rate has increased from about 31 percent in PY 2006 to over 45 percent in PY 2007 (Figure 2). The percentages for general WIA formula funds declined slightly in PY 2008, but this was offset by larger percentages for the ARRA funds.

The implementation of the policy was not without some disruptive effect, however. Between PY 2006 and PY 2007, partly due to the staff expenditure restraint effected by the policy, and partly due to the Congressional rescission of WIA Title I funds, Illinois LWIAs reported 65 planned layoffs and 28 unfilled vacancies and other staff reductions. Several LWIAs also closed offices to reduce infrastructure costs.

IMPLICATIONS FOR WIA REAUTHORIZATION

The development, implementation and initial results of the Illinois policy suggest that a minimum training expenditure policy can be implemented and that doing so is probably necessary if Congress and the Administration wish to substantially increase local WIA Title I investments in training. In addition, the Illinois experience has shown that a training expenditure requirement can be implemented within the existing WIA delivery structure, which has shown that it is capable of responding rapidly to a shift in funding priorities.

USDOL policies under WIA have completed a shift from the initial emphasis on short-term interventions to a strong focus on training. One of the key features of the American Recovery and Reinvestment Act is an "…emphasis on training and innovative and invigorated service delivery strategies." In its Training and Employment Notice (TEN) Number 30-08, ETA calls for a "substantial increase in numbers of customers served and receiving training." The Illinois policy on training expenditure is consistent with this direction.

Another key feature of the Recovery Act is an "…emphasis on services for hard to serve populations and needs-related payments." TEN 30-08 also calls for the use of WIA Adult funds for services to low-income individuals, including the provision of supportive services and needs related payments to "support the employment and training needs of these priority populations." Illinois policy permits the expenditure of supportive service and needs related payments for persons in training to count toward the achievement of the minimum training expenditure requirement.

Finally, and most significantly, the Recovery Act provides for an expansion of authority to enter into training contracts other than Individual Training Accounts: "…a local board may award a contract to an institution of higher education or other eligible training provider if the local board determines that it would facilitate the training of multiple individuals in high-demand occupations, if such contract does not limit customer choice." This provision is entirely consistent with Illinois' long-standing effort to expand the range of training contracting vehicles used under WIA, and will maximize the ability of LWIAs to meet overall expenditure targets as well as the Illinois training minimum.

To support this direction and ensure Illinois could effectively utilize the funding provided through the Recovery Act, Illinois presented several waiver requests to the existing WIA training provisions. These waivers requests were subsequently incorporated as a supplement to its WIA and Wagner Peyser plan modification required with the implementation of ARRA. The state has now received a response from USDOL to these waiver requests. USDOL has imposed two new significant limitations on the use of non-ITA training mechanisms.

First, it has restricted the authority of LWIAs to enter into contracts with training providers to contracts paid for with ARRA funds. In other words, regular WIA Title I formula funds can only be spent on training contracts if these contracts meet one of the exceptions to the use of ITAs described in section 663.430 of the WIA Rules. Illinois had hoped that since the ARRA language itself did not specifically restrict the use of the training contract authority to the ARRA funds, USDOL might take a more expansive view of this language, but it did not. In other words, use of general contract authority for training activities will require legislative action during reauthorization.

Second, while USDOL approved an expansion of the local waiver authority for incumbent worker training (IWT) from 10 percent to 20 percent in Illinois, beginning in PY 2010 it has limited the use of incumbent worker training to dislocated worker funds only (no adult or youth funds) and will allow this training to be done only in support of layoff aversion projects. In practice this means that beginning in PY 2010, IWT cannot be done in support of general skills upgrading projects, such as an incumbent worker bridge project for certified nursing assistants (CNAs) to move up to licensed practical nurses (LPNs), because these would typically not be done in a layoff aversion context. These types of projects could still be done with WIA funds, just not as incumbent worker projects. Congress may also wish to address this limitation.

Finally, previous responses by USDOL to prior waiver requests had indicated that the local statewide activities waiver authority under which the incumbent worker waiver had been implemented also extended to other statewide activities (such as training contracts for capacity-building). This interpretation would have allowed LWIAs to expend their local allocated funds on class-size contracts, up to the ten percent waiver limit. USDOL has rescinded this interpretation, and indicated that the (now) 20 percent waiver authority can only be used for incumbent worker training for layoff aversion. If Congress amends WIA to allow expanded training contract authority for states and LWIAs, this limitation would no longer be an issue.

Illinois will continue to monitor the implementation of its minimum training expenditure policy, and will work with the IWIB and LWIAs to assess the impact of the policy on the amount and quality of training being provided to Illinois adults and dislocated workers.

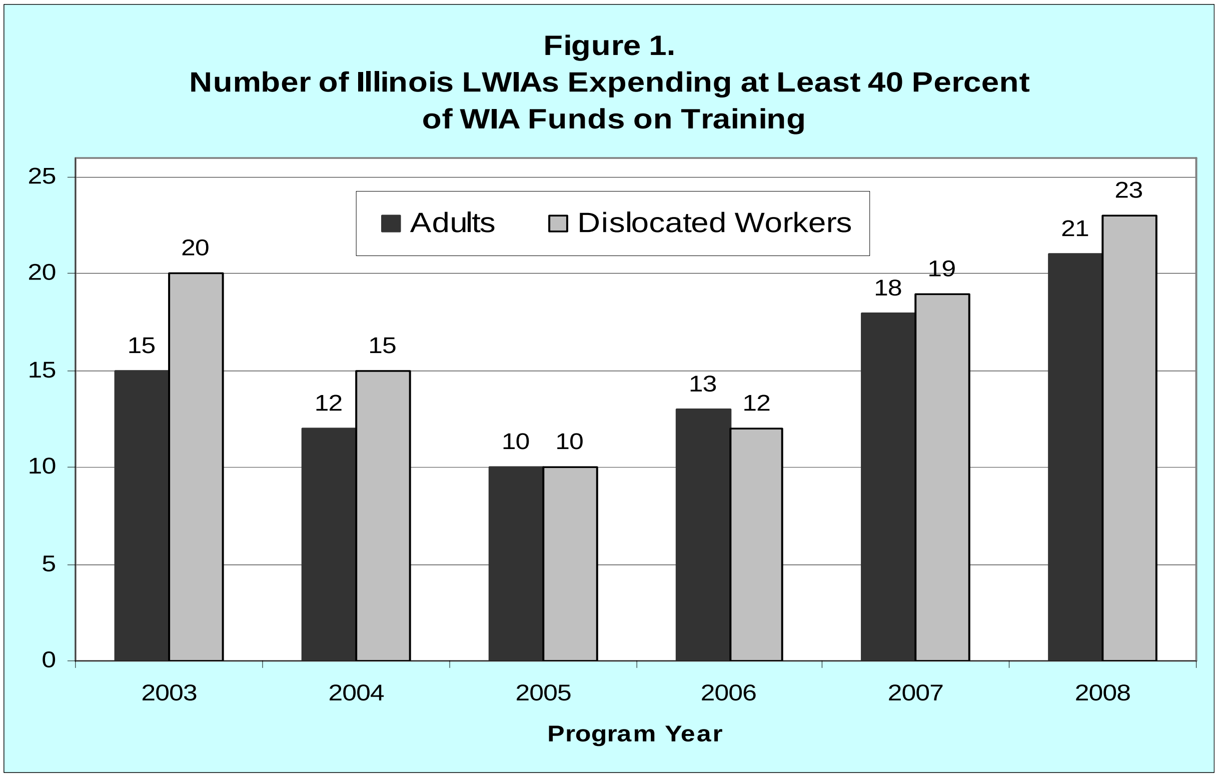
Figure 1.
Number of Illinois LWIAs Expending at Least 40 Percent of WIA Funds on Training
Adults
Dislocated Workers
25
20
15
10
5
0
15
20
12
15
10
10
13
12
18
19
21
23
2003
2004
2005
2006
2007
2008
Program Year

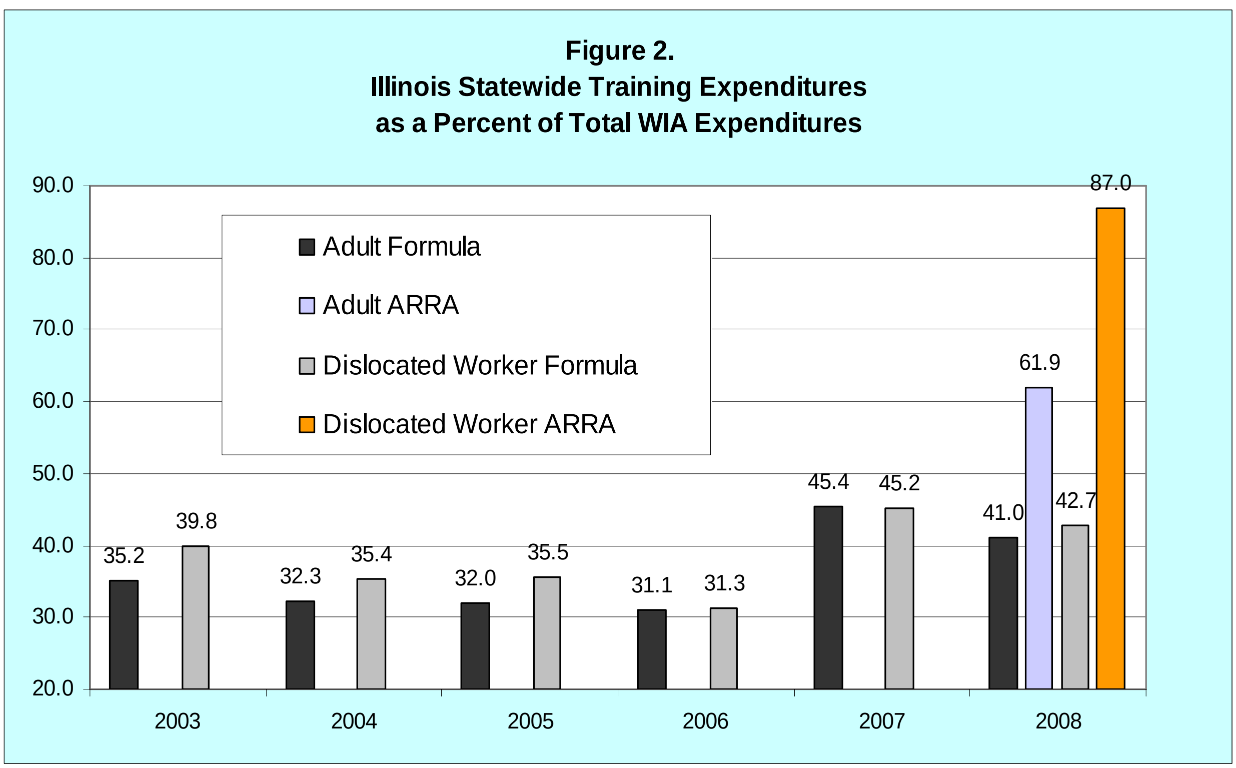
Figure 2.
Illinois Statewide Training Expenditures as a Percent of Total WIA Expenditures
Adult Formula
Adult ARRA
Dislocated Worker Formula
Dislocated Worker ARRA
90.0
80.0
70.0
60.0
50.0
40.0
30.0
20.0
35.2
39.8
32.3
35.4
32.0
35.5
31.1
31.3
45.4
45.2
41.0
61.9
42.7
87.0
2003
2004
2005
2006
2007
2008