Public Funding for Job Training at the State and Local Level

Executive Summary

Kelly S. Mikelson and Ian Hecker
June 2018

To remain competitive in an increasingly global economy, we must invest in our workers and give them the training and skills to succeed. Federal, state, and local job training programs are a crucial part of that investment. But the landscape of public funding for job training is complex with multiple funding sources and streams, controlled by a variety of actors, and used differently across geographic areas.

To provide a more complete picture of federal, state, and local investments in job training, this brief describes public expenditures for three states—Massachusetts, Texas, and Washington—and five metropolitan statistical areas in those states—Austin, Boston, Houston, Seattle, and Worcester.

Compared with funding under the Workforce Innovation and Opportunity Act (WIOA) of 2014, state and local investments in workforce training and related services is substantial, in some cases surpassing federal funding. We identified six strategies that states and localities use to manage and supplement funding for job training programs: seeking diverse revenue sources, leveraging public- and private-funding sources, braiding and blending funding, using dedicated fees to fund training, funding sector-based training initiatives, and collaborating and coordinating with other agencies to fill training gaps.

This executive summary provides an overview of our full report *Public Funding for Job Training at the State and Local Level: An Examination of Massachusetts, Texas, and Washington*. This summary and our full report aim to provide information to state and local workforce development entities, including local workforce development boards (WDBs) and training providers, to help in their funding and training decisionmaking.

Federal Job Training Expenditures

The US Department of Labor's (DOL) Employment and Training Administration funds many different job training programs. We focus here on DOL's largest job training programs.

- **Mandatory funding.** The majority of DOL training programs are funded through mandatory formula grants to states. These noncompetitive grants are allocated using statistical criteria, such as the unemployment rate. States then use a formula to distribute this funding to local areas. For program year 2017, the largest DOL-funded mandatory job training programs amounted to $5.27 billion. WIOA, the largest of these programs, accounted for 51 percent of this funding.

- **Discretionary grants.** Discretionary grants programs award competitive grants to state or local organizations. These programs, such as the American Apprenticeship Grants program, allow the federal government to target geographic areas, populations, or occupations where the need for training is perceived to be greater. The largest discretionary grants funded by DOL amounted to $577.8 million in fiscal year 2016.

This brief focuses on employment and training programs funded under WIOA Title I, which authorizes job training and related services to unemployed or underemployed adults, dislocated workers, and youth.

State Funding for Job Training

The three states we focus on—Texas, Massachusetts, and Washington—supplement federal WIOA Title I expenditures with a substantial amount of state funding. The structures of their workforce development systems vary significantly, which affects how funds are distributed and used and how agencies coordinate funding and collaborate on workforce programs. By law, the majority of WIOA funding must be disbursed to local entities; however, these three states vary significantly in how centralized or decentralized their workforce development systems are.

Texas

In fiscal year 2017, Texas put $48.6 million of state funds toward three workforce development programs. This investment amounts to 30 percent of the state's $162.9 million in WIOA Title I funding.

Texas's workforce development system is fairly centralized. One state agency—the Texas Workforce Commission—distributes all federal WIOA dollars to the state's 28 local WDBs and oversees all state-funded statewide workforce development programs. The local-level workforce systems are similarly centralized; all but a handful disburse only federal WIOA funds.

Massachusetts

In fiscal year 2017, state expenditures for three statewide job training programs were $55.7 million, which amounts to 128 percent of Massachusetts's $43.6 million in WIOA Title I funding.

In Massachusetts, the workforce development system has two primary agencies: one public entity, the Department of Career Services, and one quasi-public organization, the Commonwealth Corporation. The Department of Career services disburses federal WIOA dollars to the state's 16 local WDBs. The Commonwealth Corporation disburses funds and oversees the majority of state-funded statewide workforce development programs. The local-level workforce systems are also less centralized. Both of the local boards we interviewed receive funds from many different sources.

Washington

In fiscal year 2017, Washington spent $59.0 million of state funds on six workforce development programs. This investment amounts to 91 percent of the state's $64.9 million in WIOA Title I funding.

Washington has the most decentralized workforce development system. Seven public state agencies disburse federal funding for separate workforce training programs. One of these agencies disburses the WIOA dollars to the state's 12 local WDBs. Each of the seven agencies receives state funding and oversees one more major statewide programs.

Strategies for Managing Funding

Faced with limited public funding for job training, state and local public workforce development entities apply innovative strategies for combining, leveraging, and managing those funds. We describe six of those strategies.

1. Seeking Diverse Revenue Sources

Having many sources of nonfederal revenue can give agencies the flexibility they need to help harder-to-serve participants. Private funds may be more immune to economic downturns or changes in the political environment. And unrestricted funds can be used to bridge funding gaps in programs and services.

Most WDBs receive all their funding from WIOA, but some, like the Boston WDB, receive funding from a range of sources, including foundations and corporations. Some challenges arise, though, with having diverse revenue sources. Cultivating private sources of funding requires a lot of staff time, money, and continual effort. Also, because private revenue is often in the form of short-term program grants, it can be hard to sustain program activities when the grant ends. When combining funding, it can be difficult to design a workforce training strategy that appeals to multiple funders who may have different goals for their investments.

2. Leveraging Public and Private Funding

Workforce development entities may use funding to leverage additional funding from other sources. Leveraging may be voluntary or a requirement for receiving funds. For example, the Supplemental Nutrition Assistance Program's Employment and Training (SNAP E&T) program offers a 50 percent reimbursement when states spend all their formula-based grants. Nonfederal spending on SNAP E&T is eligible for a 50 percent federal match. Leveraging funds through SNAP E&T can add an administrative burden, and, in some cases, it may be difficult to meet the requirement that nonfederal funds be used.

WDBs can also use public dollars to leverage private investments from employers, corporate philanthropy, and foundations. These grants can jumpstart a new workforce initiative, pilot a training program, or support a larger initiative funded with additional public or private sources. Although leveraging can increase the amount of money spent on job training, it may also increase the complexity of reporting outcomes and the time spent collaborating. Also, some public entities, such as city and county governments, may limit the way funding can be structured or cannot move quickly to meet matching requirements.

3. Braiding and Blending Funding

Braiding and blending funding streams increases the potential for leveraging and efficiency, and provides greater flexibility when paying for services. Braiding funding means pooling funds from different sources, but tracking spending and reporting outcomes for each source separately. The Austin WDB braids city and county funding streams with federal WIOA dollars. For Austin, this was an important step for building an inclusive local agenda around workforce development, and reduced the potential for overlapping services.

With blended funding, funding streams are combined but recipients do not need to report separate outcomes. Blended funds may be used to support any part of a program.

4. Using Dedicated Fees to Fund Training

Dedicated fees can be a substantial source of funding for job training. For example, in Massachusetts, businesses that pay into the state's Workforce Training Fund become eligible to apply for training grants. In fiscal year 2017, $22.3 million in job training grants were awarded through this fund, which amounts to 75 percent of the state's WIOA funds for adults and dislocated workers.

In Boston, at the local level, the Neighborhood Jobs Trust is supported by fees paid by commercial developers with projects greater than 100,000 square feet. The money goes toward job training and helps ensure that the city's low- and moderate-income residents benefit from large-scale real estate development.

5. Managing Funding for Sector-Based Job Training

To respond to sector-based job training needs, states and localities are moving beyond traditional advisory boards and seeking other ways to engage employers. These initiatives include state legislation

that provides job training funds to an in-demand industry and large-scale employer- and industry-led collaboratives that meld public and private funding. One drawback, though, is that active and successful employer-led collaboratives may be difficult to organize and sustain.

Facing skill gaps and skill shortages may motivate employers to create the partnerships necessary to recruit, train, and produce the workers they need. UpSkill Houston is an employer-led collaborative of training, education, and community stakeholders focused on training workers in seven sectors— petrochemical manufacturing; industrial and commercial construction; health care; port, maritime, and logistics; utilities; advanced manufacturing; and oil and gas—upstream and midstream.

6. Collaborating and Coordinating with Other Agencies to Help Fill Training Gaps

Public entities must also consider how to manage public funding across the local workforce development system, filling training gaps and reducing duplicative programs and services. For example, in Washington, which has a decentralized workforce system, the Workforce Training and Education Coordinating Board is developing a common intake process for the public workforce development system, ensuring that job seekers do not have to fill out numerous and duplicative intake forms.

Austin and many other localities are developing master plans, which will help with collaboration and coordination. The challenge here is not only bringing regional and local workforce development leaders to the table but also keeping them engaged in implementing and developing strategies.

Conclusion

State and local workforce development entities play an important role in managing public and private funding for job training. Although WIOA is a major source of federal funding for job training, state and local public funding is substantial and, in some jurisdictions, surpasses federal funding. Many local WDBs are actively seeking nonfederal funding, including state, county, and city funds and funding from private sources.

The states and localities we interviewed are using innovative strategies to increase and leverage public and private funding for job training, including braiding and blending funding, relying on dedicated fees, and encouraging employer-led training collaboratives.

The landscape of funding for job training is complex. The more that local workforce system stakeholders understand public funding flows and strategies to supplement and leverage those dollars, the more they can do to support workers and employers in their communities.

About This Project

This project draws on interviews with state and local public and nonprofit workforce development organizations; a brief review of existing literature and published reports; a review of federal, state, and local budget documents; the JPMorgan Chase grantee databases for 2014–17; and the latest available

Workforce Investment Act Standardized Record Data (WIASRD). This is not a comprehensive view of all public funding. The examples described highlight key features of the vast array of public funding streams for job training at the state and local level.

BOX 1

The Urban Institute's Collaboration with JPMorgan Chase

The Urban Institute is collaborating with JPMorgan Chase over five years to inform and assess JPMorgan Chase's philanthropic investments in key initiatives. One of these is New Skills at Work, a $250 million multiyear workforce development initiative that aims to expand and replicate effective approaches for linking education and training efforts with the skills and competencies employers need. The goals of the collaboration include using data and evidence to inform JPMorgan Chase's philanthropic investments, assessing whether its programs are achieving desired outcomes, and informing the larger fields of policy, philanthropy, and practice. As one of several resources Urban is developing for the field, this summary examines how public expenditures are being used to fund occupational training at the state and local levels and provides strategies for managing public funding for key policymakers, practitioners, and service providers.

About the Authors

Kelly S. Mikelson is a senior research associate in the Income and Benefits Policy Center at the Urban Institute. Her research focuses on low-income workers, workforce development issues, and evaluating education and training programs.

Ian Hecker is a research assistant in the Income and Benefits Policy Center at the Urban Institute. He primarily works on workforce development issues, the Welfare Rules Database, and microsimulation modeling.

Acknowledgments

URBAN
INSTITUTE

2100 M Street NW
Washington, DC 20037

www.urban.org

ABOUT THE URBAN INSTITUTE

The nonprofit Urban Institute is a leading research organization dedicated to developing evidence-based insights that improve people's lives and strengthen communities. For 50 years, Urban has been the trusted source for rigorous analysis of complex social and economic issues; strategic advice to policymakers, philanthropists, and practitioners; and new, promising ideas that expand opportunities for all. Our work inspires effective decisions that advance fairness and enhance the well-being of people and places.