

JULY 2012

WISCONSIN'S WORKFORCE DEVELOPMENT SYSTEM



A graphical guide to employment and training resources in Wisconsin



Wisconsin's workforce development system is comprised of a broad range of employment and training services, from job search and placement assistance to vocational rehabilitation for individuals with disabilities. The resource map and analysis in this report offer policymakers and service providers a view of the system as a whole, including the variety of state and federal funding sources that support workforce development programs administered by the State of Wisconsin, and the services provided by each of those publicly funded programs. This report also can serve as a guide in ongoing efforts to improve the effectiveness of the state's workforce development system.

Key findings include the following:

- While it appears that some consolidation of employment and training funding has occurred in recent years, Wisconsin's workforce development system remains somewhat fragmented.
- Projected changes in Wisconsin's workforce and economy may demand increased attention to workforce attraction and retention as well as enhanced emphasis on worker training and education.
- The vast majority of funds supporting Wisconsin's workforce development system are from federal sources, a trend that may not bode well for the future.
- Some new approaches to structuring workforce programs and diversifying funding sources have been initiated in Wisconsin, and those efforts should continue.

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ORGANIZATION

While it appears that some consolidation of employment and training funding has occurred in recent years, Wisconsin’s workforce development system remains somewhat fragmented.

The resource map on the reverse side of this report identifies \$407 million in state and federal dollars that will be spent in fiscal year 2012 to address the employment and training needs of Wisconsin’s workforce. The map also cites the number of participants served by each funding source, though those numbers understate the full universe of individuals who are touched by the state’s workforce programming.

Since we last looked at workforce development funding in Wisconsin in 2008, this funding has become more concentrated in two state departments: the Department of Workforce Development (DWD) and the Department of Children and Families (DCF). In 2008, DWD and DCF collectively administered approximately 74% of all workforce development funding in Wisconsin, while in 2012 that figure rose to more than 83%.¹ This increased concentration is largely due to additional federal funding provided to programs in both departments from the American Recovery and Reinvestment Act (ARRA) of 2009, as well as a substantial rise in the amount of federal funding used to support Wisconsin’s W-2 program, which is administered by DCF. Indeed, DCF currently manages the largest workforce development budget of any state department, despite DWD’s exclusive focus on workforce development and the fact that DWD administers the greatest number of workforce development programs.²

Overall, nine state departments currently offer 36 programs that provide employment and training services in Wisconsin. While many of those programs provide distinct services that target specific populations, state policymakers should consider whether the current structure is the most effective and efficient way to organize these services.

Table 1: Workforce development funding by state department

	Number of programs	Total funding for Fiscal Year 2012	% of total funding
Department of Children and Families	6	\$180,879,729	44.5%
Department of Workforce Development	11	\$158,771,210	39.0%
Department of Health Services	4	\$24,502,026	6.0%
Wisconsin Technical College System	4	\$23,837,484	5.9%
Department of Public Instruction	1	\$9,484,005	2.3%
Department of Corrections	5	\$3,789,228	0.9%
Department of Veterans Affairs	3	\$3,505,400	0.9%
Department of Administration	1	\$1,016,812	0.2%
Wisconsin Economic Development Corporation	1	\$1,000,000	0.2%
Total	36	\$406,785,894	

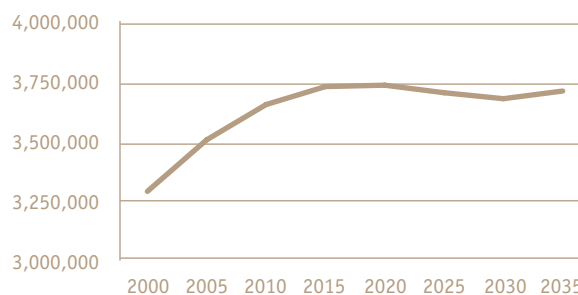
NEED (Continued on next page)

Projected changes in Wisconsin’s workforce and economy may demand increased attention to workforce attraction and retention as well as enhanced emphasis on worker training and education.

Despite today’s high levels of unemployment, over the next 20 years Wisconsin must address a projected decline in the size of its workforce while also ensuring that workers have the training required for jobs that are expected to become available. The number of participants in Wisconsin’s labor force is projected to plateau and decline slightly in the coming years as the baby boom generation retires. According to the Wisconsin Department of Administration, the working age population in the state (ages 18-64) is expected to peak in 2020 at 3.75 million and remain below that figure in 2035.

At the same time, Wisconsin workers must be appropriately prepared for the jobs that open up in the coming years. Chart 2 shows that of the 78,570 projected annual job openings between 2008 and 2018, approximately 60% will require some form of “training” while 37% will require a formal degree. These projections represent a significant shift from state projections for the 2006-2016 period, which were created before the national recession. In the previous projections, Wisconsin was expected to have 96,460 annual job openings of which only 22% would require a degree.

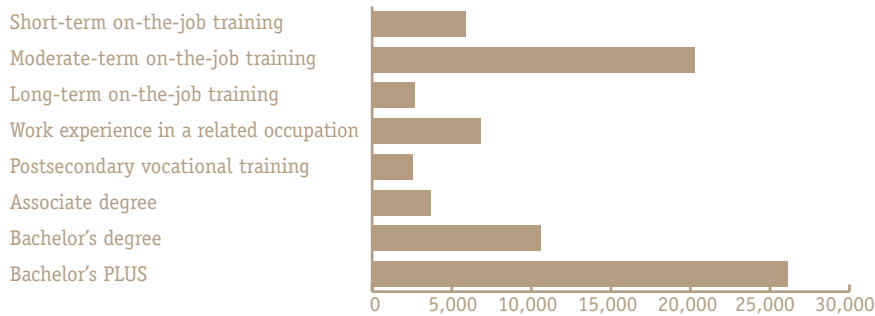
Chart 1: Working age population projections, 2000-2035



Source: “Wisconsin Population 2035,” Wisconsin Department of Administration, October 2008.

NEED (Continued)

Chart 2: Projected annual number of job openings in Wisconsin between 2008 and 2018, by typical education or training path



Source: "Wisconsin Detailed Occupational Employment Projections, 2008-2018," Office of Economic Advisors, Wisconsin Department of Workforce Development, August 2010.

An important question for Wisconsin policymakers is whether the current array of workforce development programs and services is appropriately calibrated to meet the state's evolving workforce needs, particularly in the areas of skills training and education. A related question is whether existing programs serving overlapping populations are doing so effectively.

RESOURCE MIX AND TRENDS (Continued on next page)

The vast majority of funds supporting Wisconsin's workforce development system are from federal sources, a trend that may not bode well for the future.

The federal government provides 92% of the funding that supports Wisconsin's workforce development system, an increase from 88% in 2008.³ This increase is largely attributable to the lingering national recession, which expanded enrollment for Wisconsin's W-2 program and brought about a federal stimulus package that included additional support for workforce development programs. Wisconsin's acute dependence on federal support may not be sustainable or desirable because of the many restrictions typically attached to federal funds and because of the intense fiscal pressures facing the federal government, which place all federal discretionary funding at budgetary risk. Also, we have found previously that Wisconsin depends more on federal workforce funding than many other states.

The recent recession has had significant impacts on the workforce services funded by the federal government. In response to the increase in demand for services, ARRA provided federal Workforce Investment Act (WIA) and other programs with additional resources. The funds were distributed to states and, subsequently, to regional investment boards. Nearly all ARRA funding will be spent, however, by the end of fiscal year 2013.⁴

With an approaching presidential election and a national unemployment rate remaining near 8%, workforce development policy continues to receive considerable attention from elected officials. Budget proposals currently under consideration on Capitol Hill include substantial reductions in discretionary spending—of which WIA and many other workforce development programs are a part. The debate over the 2013 federal budget inevitably will alter the resources allocated to workforce development in Wisconsin.

Although ARRA funds have represented a significant reinvestment in workforce development by the federal government over the past several years, and despite a recent surge in federal spending on Wisconsin's W-2 program, the overall budgets for the six largest workforce development programs in Wisconsin have declined dramatically over the longer term, from a collective total of approximately \$430 million in 2000 to \$299 million in 2012 (Chart 4).⁵ Excluding W-2, which was created in 1997, federal spending for those programs has been reduced by approximately 47% since 1985. As shown in Chart 5, even W-2 spending, which increased in the wake of the recession, is down considerably from 2000.

Chart 3: Origins of workforce development funding in Wisconsin

Total funding: \$406,785,894

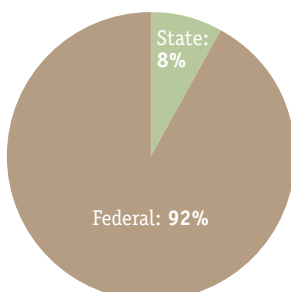
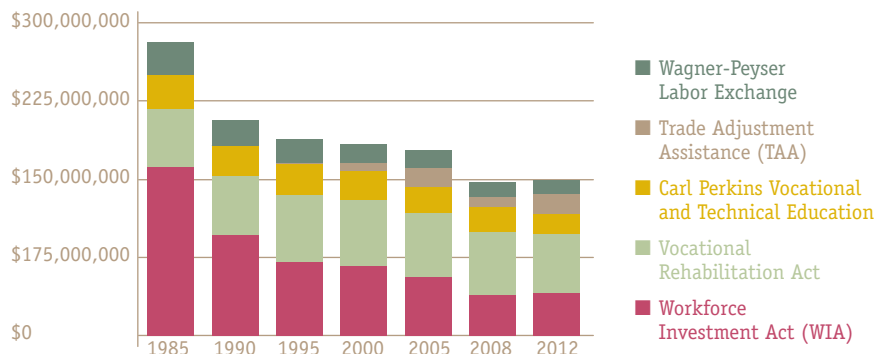


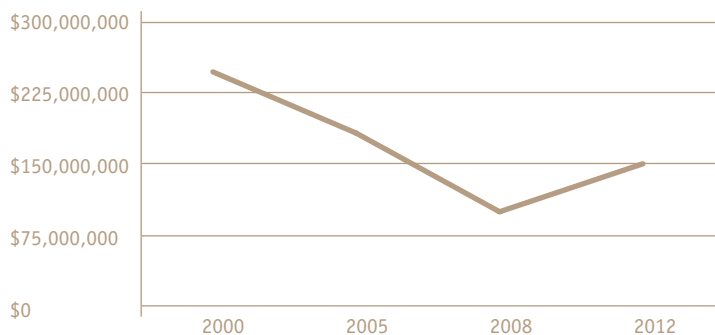
Chart 4: Federal funding for workforce development in real dollars by major program area, 1985-2012⁶



Adjusted for inflation using the Consumer Price Index inflation calculator

RESOURCE MIX AND TRENDS (Continued)

Chart 5: Federal TANF funding allocated to Wisconsin's W-2 program in real dollars, 2000-2012⁷



Given the fact that W-2 spending now comprises more than 35% of total workforce development spending in Wisconsin, state policymakers may wish to re-evaluate the design and specifics of the 15-year-old W-2 program to ensure they are in concert with the state's overriding workforce development objectives and needs. While TANF funds are restrictive in terms of the population they serve, the state does have considerable latitude in determining how to structure workforce training programs and requirements for W-2 recipients. Renewed efforts to align the W-2 program with other workforce development objectives currently under discussion – such as strategies for specific employment clusters and programs designed to bridge the skills gap for residents of Milwaukee's central city – may be appropriate.

LOOKING TO THE FUTURE

Some new approaches to structuring workforce programs and diversifying funding sources have been initiated in Wisconsin, and those efforts should continue.

Given the direct connection between federal funding, state workforce programs, and regional workforce investment boards, any structural or financial changes at the national level invariably impact local service provision. For example, federal WIA allocations remain a primary source of workforce development funding for states and regional investment boards. Despite declining WIA funding, the Milwaukee Area Workforce Investment Board (MAWIB) has been able to increase its annual revenue, largely by diversifying its revenue sources. In 2011, revenue from WIA comprised approximately 45% of MAWIB's \$22.5 million budget, as compared to approximately 86% of the Milwaukee Private Industry Council's (MAWIB's predecessor) \$11.9 million budget in 2007.⁸

Workforce training in Wisconsin also will be impacted by changes in state government. One such recent change was the replacement of the Wisconsin Department of Commerce with the public-private Wisconsin Economic Development Corporation (WEDC). Wisconsin Act 7, which created WEDC, streamlined the state's lead economic development agency by shifting Commerce responsibilities that were not economic development-related to other departments and by replacing narrowly focused economic development programs with a more flexible Economic Development Fund.⁹ Through this shift, four workforce development-related Commerce programs that collectively had received close to \$3 million in annual state funding no longer exist.¹⁰ WEDC still remains a player in workforce development, however, by funding economic development projects that have a workforce component and by coordinating with DWD to help align job needs with available training.¹¹

As cities and regions throughout Wisconsin look for additional funding streams to support workforce development programs, one potential model to emerge is the Milwaukee Area Workforce Funding Alliance (MAWFA), which was established in 2009. MAWFA is a consortium of private and public workforce development funders and service providers in the Milwaukee area.¹² The Funding Alliance's aim is to allow local foundations and workforce development agencies to coordinate efforts and private sector contributions, while also improving the region's standing as it competes for additional direct funding for workforce development from the federal government and national foundations. The MAWFA helps to coordinate the distribution of funding from private and public funders for local workforce development efforts. MAWIB's Coordinating Council also plays an important role in directing the allocation of workforce development resources in Milwaukee.

Endnotes

¹ Due to changes in how budget data were recorded, Badger State Industries was removed from the 2008 calculation. For consistency, several additional programs (Boys and Girls Clubs, Brighter Futures Initiative, Troops to Teachers, Work Opportunity Tax Credits, and Workforce Information Grants) were removed from the 2008 figure because those programs were not included in the 2012 map. Finally, 2008 budget figures for the FSET program were revised with more accurate data provided by DCF staff.

² This statement assumes that all federal funds provided to W-2 agencies are deemed workforce development-related. Approximately \$90 million of the \$150 million dedicated to W-2 in 2012 paid for client benefits. Also, the increase in federal funds used to support W-2 does not necessarily indicate an increase in federal allocations, but may instead indicate a reallocation of federal dollars from other programs, such as child care.

³ See endnote 1.

⁴ Executive Office of the President, 9/15/2011 Memorandum: www.whitehouse.gov/sites/default/files/omb/memoranda/2011/m11-34.pdf

⁵ These figures are adjusted for inflation and represent budget totals for all six programs included in Charts 4 and 5.

⁶ Adjusted for inflation using the Consumer Price Index inflation calculator. These five programs, along with W-2 and the Transitional Jobs Demonstration Project,

represent the largest federal investments in Wisconsin's workforce development system. W-2, the largest individual program, was separated due to its shorter funding history, and the Transitional Jobs Demonstration Project was not included because it was a temporary program entirely funded by ARRA.

⁷ Adjusted for inflation using the Consumer Price Index inflation calculator. The dollar amounts reflected are for "W-2 agency contracts," which include cash payments to participants in subsidized employment, local administrative costs, and the costs of training and employment services.

⁸ Data provided by the Milwaukee Area Workforce Investment Board (MAWIB); this assumes that virtually all of the PIC's DWD funding came from WIA, an assumption that cannot be verified but one that is considered accurate based on our understanding of PIC revenue streams.

⁹ WEDC Strategic Plan: wedc.org/docs/wedc-strategic-plan.pdf

¹⁰ The four eliminated programs were Customized Labor Training, Business Employees' Skills Training, Rural Business Employees' Skills Training, and Minority Business Employees' Skills Training.

¹¹ WEDC 2011-2012 Operations Plan: wedc.org/wp-content/uploads/2011/12/Operations-plan-Summary.pdf

¹² Milwaukee Area Workforce Funding Alliance: www.milwaukeeewa.org/Pages/default.aspx

