

*Good morning – Chair Fagerhaug and members of the Board. For the record, I am Kris Nelson and I serve as the Chief of Workforce Investment Support Services (WISS) for the **Nevada Department of Employment, Training and Rehabilitation.***

*I am here today to present to the Board for consideration and possible action revisions to the WIOA Title I **minimum training expenditure average** that was previously established by this Board at public meeting in **2013.***

*In your meeting packets for reference are a policy brief outlining the background and justification for this request, a copy of the local boards' formal request, and associated **State Compliance Policy 3.6.** PLEASE NOTE – there are no revisions requested to **State Compliance Policy 3.6;** it is included in your packets for reference purposes only.*

BACKGROUND

*On **November 8, 2012**, Governor Brian Sandoval issued **Executive Order 2012-18**, which vested authority in the Governor's Workforce Development Board to set the **minimum training expenditure percentage average** for occupational training, customized training, supportive services related to training, and on-the-job training.*

*On **March 21, 2013**, this Board established the **minimum training expenditure percentage average of 30 percent**, which remains to this day.*

*On **June 23, 2020**, the department received formal request from the two local boards – Workforce Connections and Nevadaworks - dated **June 11, 2020** requesting consideration of a **temporary variance** from this Board to **reduce** that **percentage average** to **15 percent** for **Program Year 2020** covering the time period of July 1, 2020 – June 30, 2021.*

*As outlined in the local boards' request, the justification for this **temporary variance** is due to: (1) the anticipated high volume of*

individuals requiring work supports, as opposed to training services, due to the economic effects of the COVID-19 pandemic resulting in a significant increase of displaced workers; and, (2) the anticipate staffing expenditure increase needed to build staffing capacity in the One-Stops to provide additional work-based training and learning opportunities.

*Since this **percentage average** is not recorded in **State Compliance Policy 3.6**, no revisions to that policy are required. The spirit of **Policy 3.6** was to afford this Board adaptable latitude to revise the **percentage average** as needed based on the needs of the state.*

*If the **temporary reduction variance** is approved, and conditions remain that the local boards need to request a continuance of said variance in **Program Year 2021** (July 1, 2021-June 30, 2022), the local boards will need to make that request to the department, who will then bring this matter back before this Board at its **March 2021** public meeting for consideration.*

*If said request is not made, the **minimum training expenditure percentage average of 30 percent** will be restored effective **July 1, 2021**.*

This completes my presentation. I am happy to answer any questions this Board may have, or there are representatives present from both local boards for any questions. Thank you.

Policy Brief

Governor's Workforce Development Board

Temporary Variance: Approved Minimum Training Expenditure Average

Authority

As part of its' responsibility to provide guidance and direction to the Local Workforce Development Areas (Local Areas), DETR follows federal guidance in creating policy to implement the Workforce Innovation and Opportunity Act (WIOA). These policies are necessary for efficient and stable operations of the workforce system in the State of Nevada. As such, DETR provides the following for the Governor's Workforce Development Board (GWDB) for consideration, review, and approval.

Background

On **November 8, 2012**, Governor Brian Sandoval issued **Executive Order (EO) 2012-18** directing the Governor's Workforce *Investment* Board, Industry Sector Councils and Local Workforce Investment Boards to revise Workforce Investment Act state compliance policies.

EO 2012-18(2) directed the board to determine the *percentage* of WIA funds available during each program year that will be expended within each Workforce Investment Area on training activities in each of the designated industry sectors.

On **March 21, 2013**, the Governor's Workforce Investment Board (GWIB; WIA) approved the **minimum training expenditure average** of **25%** for **Program Year (PY) 14**, increasing to **30%** in **PY15**, which remains to this day. This Board decision was not incorporated into **State Compliance Policy (SCP) 3.6 – Cost Limitations** due to the dynamic nature of the policy ensuring fluidity for the Board to adjust, as needed, so no revision of SCP 3.6 is needed.

For Consideration – Possible Action by the GWDB

Nevada's two local workforce development boards – Workforce Connections, representing the southern Nevada designated local area; and, Nevadaworks, representing the northern Nevada designated area – submitted a request dated June 11, 2020 (received June 23, 2020) for Board consideration a *temporary variance* reduction from the **30%** required **minimum training expenditure average** to **15%** for **Program Year (PY) 2020** (July 1, 2020-June 30, 2021).

Justification Highlights (see LWDB's formal request, attached)

A reduction would allow funding reallocation to address system needs as a result of the current economic condition due to the effects of the COVID-19 pandemic as follows:

1. The anticipated high volume of individuals requiring work supports, as opposed to training services, due to the economic effects of the COVID-19 pandemic; and,
2. The anticipated staffing expenditure increase needed to build staffing capacity in the One-Stops to provide additional work-based training and learning opportunities.



June 11, 2020

Kristine Nelson, ESD Program Chief
DETR/Workforce Investment Support Services
1923 N. Carson Street, Ste. 200
Carson City, NV 89706

RE: SCP (3.6) Cost limitations

Dear Ms. Nelson:

The local boards, Nevadaworks and Workforce Connections are requesting a reduction in the required training expenditure rate in the Adult and Dislocated Worker (ADW) programs. The expenditure rate was last set for Program Year 2015 because of Executive Order 2012-18 requiring the Governor's Workforce Development Board (GWDB) to set minimum training expenditure rates. The local boards anticipate using the reallocated funding to address system needs as a result of current economic conditions. It is anticipated that One-Stop Centers will see increased traffic as displaced workers seek to obtain employment. Many of these individuals will require career services other than training which rely on staff. Also, the local boards anticipate the need to increase staffing expenditures to build capacity to provide work-based training and learning opportunities. As a result, the boards respectfully request that the GWDB consider reducing the required training expenditure rate for ADW funding from 30% to 15% starting in PY2020. Listed below is a summary of the impact of the training percentage:

- Current requirement is a burden on service providers as the rate is calculated against total allotment which requires providers to train at a higher percentage (i.e. 30% requirement translates to 40% requirement in contracts) to offset operator and board expenditures
- Limits Return on Investment (ROI)
 - Encourages utilization of higher cost training and unnecessary training enrollments
 - Discourages leveraging of resources
 - Encourages "one size fits all" approach to workforce development (i.e. assumes that training is required of all participants)
 - Increases cost per participant limiting the number served
 - Discourages work-based training and learning such as OJT due to additional staff resources needed to manage and implement
- Limits vital programmatic services
 - Limits staffing to properly serve participants
 - Limits necessary supportive services
- Reduced availability of training due to COVID-19
- Expected high volume of individuals who will require work supports as opposed to training services (e.g. work cards, tools, transportation assistance, etc.)



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The local boards expect that a reduction in training expenditure rates will increase the ability to serve participants in a customer focused manner. Your respectful consideration is appreciated and will have a beneficial impact on the participants at the local level.

Respectfully,

Jaime Cruz
Executive Director, Workforce Connections

John Thurman
CEO, Nevadaworks

**Nevada Department of Employment, Training and Rehabilitation
(DETR)
Workforce Innovation and Opportunity Act
State Compliance Policy**

Policy Number: 3.6

Originating Office: Workforce Investment Support Services

Subject: Cost Limitations

Issued: July 2005 Workforce Investment Act (WIA)

Revised: June 2015 Workforce Innovation and Opportunity Act (WIOA)

Purpose: To provide guidance on cost allocation/expenditure limitations for WIOA program activities.

Background: The Workforce Innovation and Opportunity Act limits expenditures for administrative costs at both the State and Local Board level. Additionally WIOA requires that 75% of youth funds be used to provide services to out of school youth and State policy requires that Local Boards expend a certain percentage of WIOA funds training services.

I. General [§683.205, 2 CFR 200]:

- A. Each Local Board is directly responsible for ensuring compliance with the cost limitations requirements for all funds allocated.
- B. Expenditures will be tracked and reported quarterly by year of appropriation, cost category, and funding stream (youth, adult, dislocated worker, and administration) until the final expenditure report is submitted. Cost limitation records are subject to record retention requirements (WIOA State Compliance Policy Section 5.4 – Record Requirements).
- C. Although final compliance with Local Board cost limitations will not be determined until after the final report is submitted, the state will regularly assess compliance with the cost limitations including periodic review and corrective action as necessary.

- D. Failure to comply with cost limitations will result in disallowed costs or a reduction of obligated funds (WIOA State Compliance Policy Section 5.6 – Sanctions and Resolution Process).
- E. The cost limitation provisions apply to net allocations remaining after adjusting for the effects of recessions, reallocations, and transfers between funding streams.

II. Limitations:

- A. In accordance with Governor’s Executive Order 2012-18; (This provision does not apply to Youth funding.)

Training expenditures for the purposes of this policy will include the following:

- Occupational Classroom Training/Nationally Recognized Certificate Training
- Customized Training
- Support Services related to participants in the Training activities listed above
- On the Job training

Occupational Classroom Training/Nationally Recognized Certificate Training is defined as occupational skills training (including stackable certificate training), training for non-traditional employment, skill upgrading and retaining. The primary intent of Training is to improve the earnings potential and employability of workers.

Customized Training is defined as training that is (A) designed to meet the specific requirements of an employer (including a group of employers; i.e. industry sector certificate programs); (B) conducted with a commitment by the employer to employ an individual (or individuals) on successful completion of the training; and (C) for the employer who pays (i) a significant portion of the cost of training, as determined by the local board involved, taking into account the size of the employer and such other factors as the local board determines to be appropriate, which may include the number of employees participating in training, wage and benefits levels of those employees (at present and anticipated upon completion of the training), relation of the training to the competitiveness of a participant, and other employer-provided training and advancement opportunities; and (ii) in the case of customized training (as defined in subparagraphs (A) and (B) involving an employer located in multiple local areas in the State, a significant portion of the cost of the training, as determined by the Governor of the State, taking into account the size of the employer and such other factors as the Governor determines to be appropriate. Note: minimum investment percentages pertaining to training are not to include On the Job training subsidies paid to employers.

Support Services include such things as transportation, child care, dependent care, and housing necessary to enable an individual to participate in WIA training services, within the scope allowed for by regulation.

On the Job training defined as training by an employer that is provided to a paid participant while engaged in productive work in a job that:

- (A) provides knowledge or skills essential to the full and adequate performance of the job;
- B) is made available through a program that provides reimbursement to the employer of up to 50 percent of the wage rate of the participant, except as provided in WIOA Section 134(b)(3)(H), for the extraordinary costs of providing the training and additional supervision related to the training; and
- C) is limited in duration as appropriate to the occupation for which the participant is being trained, taking into account the content of the training, the prior work experience of the participant, and the service strategy of the participant, as appropriate.

The Training Expenditure rate will be monitored on a quarterly basis by DETR. The rate shall be calculated using the following methodology:

- Using data reported quarterly by each Local Workforce Development Board on DETR form S-2, the Training sub-total plus the Support Services sub-total divided by the Total One Year Availability amount equals the Training Expenditure rate, expressed as a percentage.

Failure by the Local Boards to meet the desired Minimum Training Expenditure Percentage will result in the Local Board being ineligible for any WIA Incentive awards for the program year, and subject to any other sanctions within the compliance policies for the local board or rules and regulations of the Act; and will require a corrective action plan be developed to address the performance deficiency. Failure by a Local Board to meet the required Minimum Training Expenditure Percentage performance goal two years in a row will result in corrective action or decertification of that Local Board.

The Minimum Training Expenditure percentage(s) for subsequent program years, will be determined as a result of outcomes derived from previous years; the training needs determined from the industry sector councils reports; and the recommendations of the local boards, based on the needs of each local workforce investment area.

- B. Not more than 10 percent of funds allocated to the local area under Sections 128(b) and 132(b) of the Act for any program year shall be expended for administration [§683.205 (a)(2)]

Note: No administrative costs can be charged to Governor's Reserve projects, including incumbent workers training and pilot projects.

- C. Costs of information technology including computer hardware and software used for the purposes of the tracking and monitoring of WIOA programs, participants, or performance requirements, and for collecting, storing, and disseminating information under core services at WIOA Section 134 (d)(2) are excluded from the administrative costs limit calculations [§683.205(a)]
- D. Administrative costs borne by other sources of funds, such as the Wagner-Peyser Act, are not included in the administrative cost limit calculation. Each programs' administrative activities are charged to its own grant and subject to its administrative limitations [§683.205 (a)(4)];
- E. Limits on administrative costs for programs operated under subtitle D of Title I will be identified in the grant or contract award document [§683.205(b)].

III. Expenditure Rate for Out-of-School Youth:

- A. At a minimum, 75 percent of the funds expended in the local area must be used to provide activities for out-of-school youth [§681.410 and WIOA Section 129 (a)(4)(A)].
- B. There is a limited exception, at WIOA Section 129(a)(4)(B), under which certain small states may apply to the Secretary of Labor for a waiver to reduce the minimum amount that must be spent on out-of-school youth.

References: 20 CFR 683.205, 2 CFR 200, WIOA Sections 129, 134