

IssueBRIEF



How Do Local Workforce Investment Areas Spend Their Formula Funds?

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HIGHLIGHTS FROM THIS BRIEF

Reflecting the spending discretion allowed by the Workforce Investment Act of 1998 (WIA), the 28 Local Workforce Investment Areas (local areas) in the WIA Adult and Dislocated Worker Programs Gold Standard Evaluation made different trade-offs about how much to spend on staff to assist customers, training for the customers, and overhead costs for the programs. Below are three key findings:

- The proportion of funding spent in each cost category varied considerably; staff, overhead costs, and training were the top spending categories.
- Local areas with small WIA funding allocations spent more on staff and less on overhead costs and training.
- Spending patterns varied by urbanicity.

The federal government allocated approximately \$2 billion in WIA Adult and Dislocated Worker programs' funds annually. The Workforce Innovation and Opportunity Act (WIOA), signed in July 2014, continues these programs at similar funding levels. Funds pass from the federal government to states and then to Local Workforce Investment Areas (local areas) to serve customers who access the programs' services at American Job Centers (AJCs, formerly One-Stop Career Centers). States allocate the Adult and Dislocated Worker programs' funds to the local areas based on different formulas. The statutory formula for the Adult program factors in the number of unemployed people and economically disadvantaged adults in the local area as well as the number of unemployed people residing in the subareas within the local area that have "substantial" unemployment. In determining the formula for the Dislocated Worker program, states factor in the number of unemployed people and the number of long-term unemployed people—people who have been unemployed 15 weeks or more—in the local area. Both programs provide the same types of services to customers who qualify for one or both programs.

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WIA Adult and Dislocated Worker Programs | Gold Standard Evaluation

Little is known about how local areas choose to spend their formula funds. WIA stipulated some limits—for instance, no more than 10 percent could be spent on administrative activities—but generally provided local areas considerable discretion over spending in each general cost category. This discretion is likely to continue under WIOA. Through a descriptive analysis, this brief describes how 28 local areas randomly selected for the WIA Adult and Dislocated Worker Programs Gold Standard Evaluation (WIA Gold Standard Evaluation) spent their WIA formula funds.

We asked staff in each of the 28 local areas participating in the WIA Gold Standard Evaluation to provide information

about how they spent their formula funds. Most provided information about expenditures in program year 2011; five local areas provided information about expenditures in program year 2012. We collected detailed data that were used to determine how much of their annual allocation (plus any funds carried over from previous years) was spent in each of six cost categories: (1) the staff who provide services to participants in the Adult and Dislocated Worker programs; (2) overhead costs for the programs and the AJCs in which they are housed; (3) training; (4) supportive services; (5) funds carried over to the next year; and (6) other. These categories are described in Table 1.

Table 1. Detailed description of cost categories

Cost category	Included expenditures from WIA Adult and Dislocated Worker program funds
Staff	<ul style="list-style-type: none"> Salaries, fringe benefits (such as health insurance and retirement benefits), and employer taxes of staff who work directly with customers to provide core, intensive, and training-related services (for example, by welcoming customers to the AJCs, providing job-search assistance, or helping customers apply for training). Also, similar costs for managers and supervisors, business services representatives, and clerical staff who work in the AJCs.
Overhead costs	<ul style="list-style-type: none"> Costs associated with administrative offices and AJCs, such as rent, utilities, materials, and supplies. Salaries, fringe benefits, and employer taxes of administrative staff who typically do not work directly with customers but instead manage operations at the local area level (for example, Local Workforce Investment Board staff and finance officers). Indirect costs associated with program management, such as profits to service providers, when applicable.
Training	<ul style="list-style-type: none"> Individual training accounts, on-the-job training, incumbent worker training, internships, short-term prevocational training, and paid work experiences.
Supportive services	<ul style="list-style-type: none"> Vouchers or cash payments for items related to work or seeking work (for example, uniforms, tools, books, transportation, and child care).
Funds carried over	<ul style="list-style-type: none"> Funds carried over to future program years. Funds can be spent during the year they are allocated or in two succeeding years; local areas are permitted to carry over up to 20 percent of their annual allocation, although they can apply for waivers to carry over more into the next program year.
Other	<ul style="list-style-type: none"> Expenditures that do not fall into one of the previously listed categories. The local area staff sometimes estimated expenditures in one or more of the previous categories. Any differences between total estimated expenditures and the total allocation (plus carried over funds from previous years) was categorized as “other.”

Source: WIA Gold Standard Evaluation cost data collection, program year 2011 or 2012.

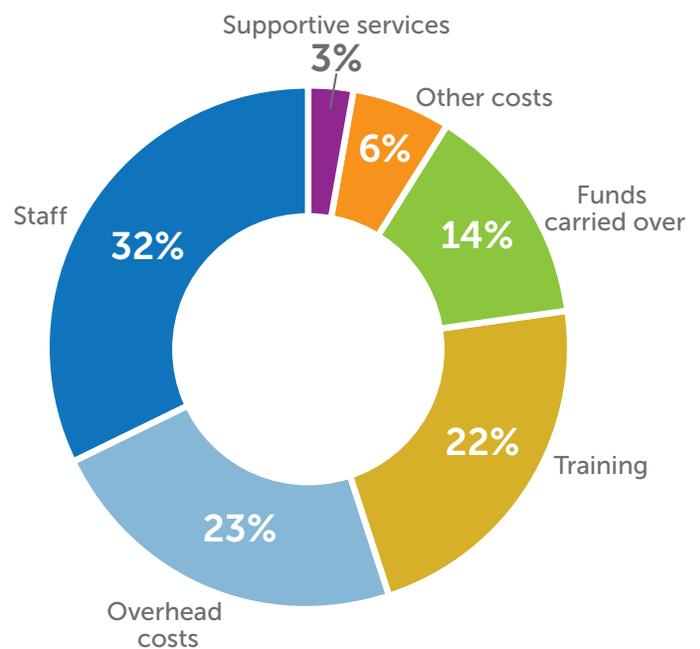
PROPORTION OF FUNDING SPENT IN EACH COST CATEGORY VARIED CONSIDERABLY

On average, local areas spent the largest percentage of their formula funding on program staff, followed by overhead costs and training (see Figure 1). Local areas on average spent just less than one-third (32 percent) of their total formula funds on program staff. For 11 of the 28 local areas, spending on staff represented the largest portion of their total expenditures. The next largest category was overhead costs, for which local areas spent on average 23 percent of their allocation. For 7 of the 28 local areas, overhead costs represented the largest portion of their total expenditures. On average, just more than one-fifth (22 percent) of program funds was spent on training; this represented the largest fraction of total spending for 8 local areas. Local areas on average carried more than 14 percent of their formula funds for use in subsequent program years and spent about 3 percent of funds on supportive services. The “other” category comprised six percent of costs, on average.

Staff

Most (18 of 28) of the local areas in the study spent 21 to 40 percent on staff, 4 spent a lower percentage, and 6 spent a higher percentage (see Table 2). One local area spent in excess of 60 percent of its allocation on staff. We found some evidence that the variation in the portion of funding allocation spent on staff was related to the experience and education of local area staff who work with customers. Three of the four local areas with the lowest proportion of spending

Figure 1. Average percentage of expenditures by cost category



Source: WIA Gold Standard Evaluation cost data collection, program year 2011 or 2012.

on staff did not require that their staff have a bachelor’s degree, and their staff were paid relatively low wages (\$20.80 per hour, compared with the average of \$24.09).¹ The local area with the highest percentage spent on staff required a bachelor’s degree and almost all staff in that local area had more than 15 years of experience. Its staff were paid higher than average wages of \$33.19 per hour.

Table 2. Number of local areas by percentage of allocation spent on each cost category

Category	0–10%	11–20%	21–30%	31–40%	41–50%	51–60%	61%+	n
Staff	0	4	7	11	4	1	1	28
Overhead costs	3	10	8	5	2	0	0	28
Training	3	12	4	6	3	0	0	28
Supportive services	26	1	1	0	0	0	0	28
Funds carried over	11	9	5	3	0	0	0	28
Other	28	0	0	0	0	0	0	28

Source: WIA Gold Standard Evaluation cost data collection, program year 2011 or 2012.

Overhead costs

The majority (18 of 28) of local areas spent between 11 and 30 percent of their allocations on overhead costs (Table 2). Three local areas spent 10 percent or less on overhead costs; these were either in regions with low rents or they leveraged other sources of funds to cover overhead. For example, in one local area with a low proportion of funds spent on overhead costs, WIA services were delivered primarily in buildings that were donated. Seven local areas spent more than 30 percent of their formula funds on overhead costs, and two of these spent more than 40 percent. The relatively high percentages in these two areas could be explained, in part, by multiple layers of contract and service provider management, resulting in indirect costs not typically faced by other local areas.

Training

Just more than half (15 of 28) of local areas spent less than 20 percent of their allocations on training (Table 2). About one-third (10) spent between 21 to 40 percent, and 3 local areas spent more than 40 percent. One factor that affected the amount spent on WIA training funds was the prevalence of other sources of training funds, which many local areas required customers to seek before applying for WIA-funded training. For example, the three local areas that spent the lowest proportion of their allocation on training had access to other sources of training funds, such as National Emergency Grants, state- or city-specific training funds, technical college grants for target populations, and/or state lottery funds. The three local areas that spent the largest proportion on training also had access to other sources of funding, such as the Health Care Cost Institute (HCCI), funded by a private foundation, and Science, Technology, Engineering, and Mathematics (STEM) grants funded by the U.S. Department of Labor. However, the sizes of these funding pools were likely much smaller than those available to the local areas that spent the lowest proportion of their allocations on training; for example, one state lottery fund pool contributed approximately \$260 million to education grants, whereas HCCI grants were approximately \$300,000 each and STEM grants ranged from \$2.5 to \$4 million.

Another factor affecting spending was the local area's general emphasis on providing training services. Among the three local areas that spent the lowest proportion of their allocation on training, two indicated during data collection a focus on core and intensive services to improve

job placements, while the other did not focus on a specific service tier. Of the three local areas that spent the highest proportion of their allocation on training, two indicated that they focused on training and one focused on customer needs without an emphasis on a specific service tier.

Supportive services

Spending on supportive services was less than 10 percent of local areas' allocations in 26 of the 28 local areas (Table 2). Five local areas did not spend any funds on supportive services. These five areas used a referral process to help WIA customers obtain support from other resources in the community. Further, three of these areas indicated during data collection a preference for using those funds to instead serve more customers through training, placement, or other WIA services.

Funds carried over

Twenty local areas carried over less than 20 percent of their total allocation plus funds carried over from previous years (Table 2); of these, eight carried no funds over to subsequent years. Eight local areas carried over 21 to 40 percent of their allocation, which was permissible with a waiver.

LOCAL AREAS WITH SMALL ALLOCATIONS SPENT MORE ON STAFF AND LESS ON OVERHEAD COSTS AND TRAINING

As shown in Table 3, local areas with small allocations (less than \$2 million) spent a slightly larger proportion of their funding on staff (36 percent on average compared with 32 percent for all local areas). Local areas with medium allocations (between \$2 and \$6 million) and large allocations (\$6 million or more) spent about the same percentage (31 and 30 percent, respectively) on staff. For overhead costs, the pattern was the opposite: medium- and large-allocation local areas spent a similar percentage of their allocations on overhead costs (24 and 26 percent, respectively), while small-allocation local areas spent somewhat less (18 percent). Small-allocation local areas also spent a smaller proportion on training (19 percent) than medium- and large-allocation local areas (21 and 25 percent, respectively). In addition, small- and medium-allocation local areas carried 16 percent of their allocations over to subsequent program years, while large-allocation local areas carried over much less—only 10 percent on average. Spending on supportive services did not differ by allocation size.

Table 3. Average percentage of allocation spent by cost category and size of allocation

Category	Small	Medium	Large	Mean
Staff	36	31	30	32
Overhead costs	18	24	26	23
Training	19	21	25	22
Supportive services	3	3	3	3
Funds carried over	16	16	10	14
Other	7	5	5	6
Number of local areas	8	10	10	28

Source: WIA Gold Standard Evaluation cost data collection, program year 2011 or 2012.

Note: Small refers to local areas that had total WIA Adult and Dislocated Worker funding allocations of less than \$2 million, medium refers to those that had funding of \$2 million or more but less than \$6 million, and large refers to those that had funding of \$6 million or more. Percentages might not add to 100 because of rounding.

SPENDING PATTERNS VARIED BY URBANICITY

On average, urban local areas spent a higher proportion of their allocation on staff than other local areas: urban local areas spent 35 percent on average on staff, rural local areas spent 31 percent, and local areas that were mixed—had both urban and rural areas—spent 27 percent (see Table 4). This was related to higher wages in urban areas; the average hourly wage in the study’s urban local areas was \$27.90, compared with \$20.16 in rural areas and \$21.52 in mixed areas. Though some urban areas required that counselors have a bachelor’s degree, staff in most of the urban local areas had a mix of educational credentials similar to those

in rural and mixed local areas, suggesting that the higher average wage reflected higher cost of living rather than greater educational requirements in urban local areas.

Urban local areas also spent a higher proportion of their allocation on training than other local areas—24 percent on average, compared with 19 percent in rural and 22 percent in mixed local areas. However, the proportion of formula funding spent on overhead costs and supportive services did not differ greatly by urbanicity.

Table 4. Average percentage of allocation spent by cost category and urbanicity

Category	Rural	Mixed	Urban	Mean
Staff	31	27	35	32
Overhead costs	24	24	23	23
Training	19	22	24	22
Supportive services	4	3	2	3
Funds carried over	12	19	12	14
Other	9	5	4	6
Number of local areas	8	7	13	28

Source: WIA Gold Standard Evaluation cost data collection, program year 2011 or 2012.

Note: Percentages might not add to 100 because of rounding.

Local areas participating in the study varied in how they allocated their federal funds. The decisions they made and how this affected their spending in key cost categories may prove useful to local areas as they begin implementing programs and procedures authorized under WIOA.

ENDNOTES

¹Throughout the brief, reported hourly wages were calculated from workers' paid salaries, fringe benefits, and employer taxes.

ABOUT THIS SERIES

Through the Workforce Investment Act of 1998 (WIA), Congress allocated about \$2 billion annually for employment and training services that states and their Local Workforce Investment Areas (local areas) provided through their Adult and Dislocated Worker programs. WIA mandated that job seekers and employers have access to employment and training resources provided by more than a dozen workforce system partners through American Job Centers. At these centers, job seekers could access core services, such as information on local labor markets and job openings. In addition, eligible adults and dislocated workers could receive intensive services, such as career counseling and skills assessments, and training services. The Workforce Innovation and Opportunity Act (WIOA), which superseded WIA, made important changes to the public workforce systems but largely maintained the services provided through the Adult and Dislocated Worker programs.

This issue brief is one in a series of briefs that presents findings from the WIA Adult and Dislocated Worker Programs Gold Standard Evaluation, which is being conducted for the U.S. Department of Labor (DOL), Employment and Training Administration (ETA). The study examines the implementation, effectiveness, and benefits and costs of the Adult and Dislocated Worker programs using an experimental design. The study occurred in 28 local areas that were randomly selected to participate. For more information about the evaluation, please visit the [project web page](#).

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