

IssueBRIEF



Managing Funding Challenges in the Workforce Investment Act Adult and Dislocated Worker Programs: Mitigating Strategies and Effects on Services

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HIGHLIGHTS FROM THIS BRIEF

Funding for Workforce Investment Act of 1998 (WIA) Adult and Dislocated Worker programs declined nationally in real terms for more than a decade. The past few years brought additional fluctuations in funding due to the temporary funding from the American Recovery and Reinvestment Act of 2009 and, in 2013, sequestration and the government shutdown. From discussions with staff from the 28 randomly selected Local Workforce Investment Boards (LWIBs) participating in the study, we found that:

- Eighteen of the 28 LWIBs experienced funding cuts in Program Year (PY) 2013 due to sequestration; 11 LWIBs experienced funding delays in fall 2013 due to the government shutdown; and 8 LWIBs did not report any funding cuts or delays in PY 2013.
- LWIBs used strategies to prevent cuts in job seeker services, such as holding on to funds as carry-over from one year to the next, transferring funds between programs, diversifying funding sources, and reducing administrative costs.
- Staff from 23 of the 28 LWIBs reported making changes from PY 2011 to PY 2013 in the Adult and Dislocated Worker programs' services because of funding concerns. These changes included closing or reducing hours of American Job Centers and reducing the amount of training, supportive services, workshops, or staff-assisted services offered to customers.

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WIA Adult and Dislocated
Worker Programs | Gold Standard Evaluation

Nationally, combined funding for the Workforce Investment Act of 1998 (WIA) Adult and Dislocated Worker programs declined by 23 percent in real terms from Fiscal Year 2000 to Fiscal Year 2012.¹ Supplemental funds from the American Recovery and Reinvestment Act of 2009 (ARRA) helped mitigate the effects of cutbacks in federal allocations to WIA programs, as for many programs, but was a one-time-only increase in funding that expired in 2011. In 2013, the expiration of ARRA funding was followed by across-the-board funding cuts resulting from the March sequestration and funding delays due to the government shutdown in October (see box on next page). This fiscal uncertainty required some Local Workforce

Investment Boards (LWIBs), which administer the WIA Adult and Dislocated Worker programs, to change the services they offered. The Workforce Innovation and Opportunity Act (WIOA), which was enacted in July 2014, maintained the main elements of the programs and reauthorized their appropriations through Fiscal Year 2020.

This brief describes how 28 LWIBs randomly selected to participate in the WIA Adult and Dislocated Worker Programs Gold Standard Evaluation adapted to the uncertain funding environment of the past few years. It first discusses the recent trends and fluctuations in the funding of the WIA Adult and Dislocated Worker programs. It then describes LWIBs' strategies to manage their program funding and the changes they made to services. Data for this brief were collected during two rounds of visits to the Local Workforce Investment Areas (local areas) conducted in 2012 and 2013 and telephone interviews with local area staff conducted in early 2014.

RECENT FEDERAL EVENTS AFFECTING THE WIA ADULT AND DISLOCATED WORKER PROGRAMS' FUNDING

- **The American Recovery and Reinvestment Act (ARRA) of 2009.** Legislation passed in February 2009 to respond to the economic crisis. Commonly referred to as the stimulus package, ARRA provided \$840 billion for tax cuts and benefits to families and business; supplemental funding of entitlement programs; and federal contracts, grants, and loans.
- **Sequestration.** A process of automatically cutting federal budgets across most departments and agencies that was included in the Budget Control Act of 2011 to encourage actions to reduce the federal deficit. A sequester took effect on March 1, 2013.
- **Government shutdown of 2013.** Congress did not pass a budget to fund the federal government. With no budget in place, the federal government was partially shutdown at the start of the federal fiscal year from October 1 through 17.

RECENT TRENDS AND FLUCTUATIONS IN WIA FUNDING

The period from Program Year (PY) 2011 (which runs from July 1, 2011, to June 30, 2012) to PY 2013 brought increasing funding challenges to local area administrators of the WIA Adult and Dislocated Worker programs. Combined federal funding for the WIA Adult and Dislocated Worker programs declined from PY 2011 to PY 2013, more so for the Dislocated Worker program (10 percent) than for the Adult program (5 percent).² Funding for the Adult program would have remained flat over the period if sequestration cuts had not occurred in PY 2013.

Even without changes in the federal allocation, an LWIB's share of Adult and Dislocated Worker programs' funding might vary from year to year. States allocate Adult and Dislocated Worker programs' funds to the local areas based on formulas that depend on the local labor market and other factors (Table 1). Local areas were insulated to some degree from large funding fluctuations for the Adult program, but not the Dislocated Worker program, by a hold harmless clause. This clause stipulated that an LWIB receive an allotment for its Adult program that is at least 90 percent of its average allocation percentage for the preceding two years.

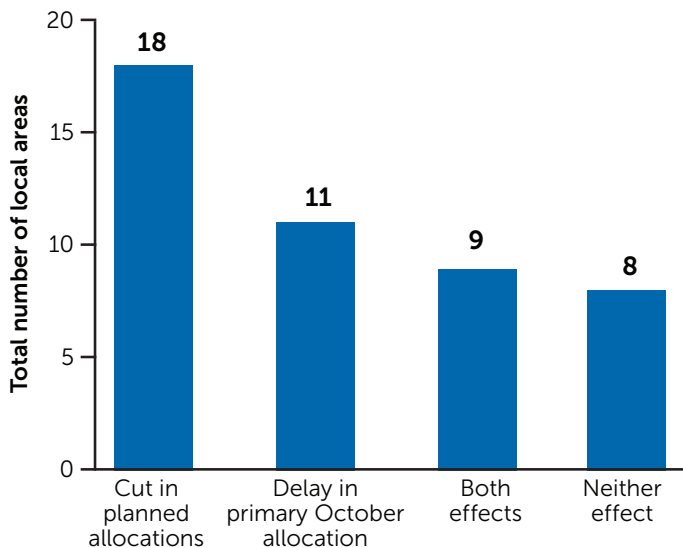
Although PY 2013 was challenging for many LWIBs to navigate because of funding cuts from sequestration and funding delays due to the government shutdown, the 28 study LWIBs reported experiencing different challenges. Staff from 18 of the 28 study LWIBs reported that their local areas received less funding than anticipated in PY 2013 (Figure 1). The remaining 10 study LWIBs did not experience funding cuts due to sequestration because of local economic conditions that affected within-state WIA distribution formulas (Table 1). Similarly, state processes and timing for distributing funds to the LWIBs varied. Staff from only 11 of the 28 LWIBs reported that their primary allocations—typically received in October 2013—were delayed due to the government shutdown. Staff from 9 LWIBs reported that their funding was affected by both sequestration and the government shutdown, and staff from 8 LWIBs reported that they were affected by neither.

Table 1. Provisions that affect funding levels and funding management strategies for the Title I Adult and Dislocated Worker programs under WIA and WIOA

Provision	WIA		Changes under WIOA
	Adult program	Dislocated Worker program	
Provisions that affect funding levels			
Formulas for the allocation of funding to local areas	Specified by statute and based on (1) number of unemployed people residing in areas of substantial unemployment (ASUs), (2) number of excess unemployed (or ASU excess, whichever is higher), and (3) number of economically disadvantaged Adults	State selection of formula factors, often including area rates of unemployment and data on mass layoffs	No changes
Hold harmless clause	Allocations must be 90 percent of the average allocation percentage for each local area for the preceding two years.	None	Clause added to Dislocated Worker program
Provisions that affect funding management strategies			
Carry-over of funds	Full allocations for each program year have a two-year expenditure cycle; all funds must be used by the end of the program year following the initial allocation. 80 percent of WIA formula funds for each PY cycle may be obligated in the initial funding year; 20 percent can be carried over for use in the second PY.		No changes
Funds transfers between programs	Statute allows for transfers of up to 20 percent of total allocations between the two programs; waivers allow for transfers of higher percentages.		100 percent transfer authority between the two programs
Diversification of funding sources	None		Explicitly authorizes local areas to solicit grants and donations from nonfederal sources

Source: Workforce Investment Act of 1998; Workforce Innovation and Opportunity Act.

Figure 1. Effects of sequestration and government shutdown on PY 2013 Adult and Dislocated Worker program allocations



Source: WIA Gold Standard Evaluation qualitative data collection, 2014.

Note: Counts of local areas with cuts in planned allocations or a delay in the primary October allocation overlap. Categories of both or neither effects are unduplicated.

Strategies to minimize disruptions to services

Staff at study LWIBs reported using four main strategies to weather funding fluctuations while minimizing the effect on service provision. Although LWIBs reported using these strategies before 2013, LWIB staff described a heavier reliance on them in the face of the increased cuts and uncertainty that sequestration and the government shutdown brought in fall 2013.

1. Carry-over funds from one year to the next. According to staff in all 28 study LWIBs, carrying over funds from one PY to the next was an important regular funding management tool. Although the amounts and proportions of carry-over funds relative to allocations varied, all LWIBs reported carrying over funds from the prior PY to supplement the next year.

Staff from almost half the study LWIBs credited carry-over funds with buffering the programs during the 2013 government shutdown and sequestration and reducing their impact on service provision. Staff at five study LWIBs reported that they deliberately carried over higher levels of funds than was typical into PY 2013 to mitigate the expected funding cuts due to sequestration.

2. Transfer funds between the Adult and Dislocated Worker programs. Although WIA allowed for the transfer of up to 20 percent of funds between the Adult and Dislocated Worker programs (Table 1), some study LWIBs were subject to different rules as a result of either state policies or federal waivers. For example, some states restricted the direction of the transfers—for example, funds could flow only from the Dislocated Worker program into the Adult program but not vice versa. Other LWIBs in the study used their states’ federal waivers that allowed them to transfer as much as 50 percent of funds between the WIA Adult and Dislocated Worker programs.

Staff members at five study LWIBs described the flexibility in transferring funds as a means of managing funding during PY 2013 to maximize customer services. In most of these five LWIBs, staff described having transferred funds from the Dislocated Worker program into the Adult program because the Adult program often ran out of funds earlier than the Dislocated Worker program. In addition, LWIB staff described the ability to replenish Dislocated Worker funds that had been transferred to the Adult program with Rapid Response funds received from the state.

3. Diversify funding for American Job Center operations. Multiple funding sources can, to some extent, safeguard customer services from fluctuations in federal program funding levels. Customers access the WIA Adult and Dislocated Worker programs at American Job Centers (AJCs, formerly known as One-Stop Career Centers), where they can also access other programs’ services. Staff at one study LWIB, for example, noted that the local area’s use of diversified funding to provide an array of services at its AJCs enabled it to weather WIA funding cuts and the delayed funding from the government shutdown. They reported receiving funding from state and federal sources for workforce development programs (such as Refugee Assistance and the Senior Community Service Employment Program) and public assistance programs (including Temporary Assistance for Needy Families). In contrast, staff from a few study LWIBs that relied almost exclusively on the funding from the WIA Adult and Dislocated Worker programs to support AJC operations remarked that doing so made them more vulnerable to funding cuts.

4. Reduce administrative costs. Several LWIBs described implementing cost-saving measures to minimize cuts in services. LWIB staff reported cutting staff travel; changing the use of contracted services (such as telephone, data, copying, and printing); reducing janitorial and management staff; and reducing purchases of supplies and equipment. Some LWIBs reduced costs by making use of volunteers or public spaces, such as libraries, to provide training sessions for staff or workshops for customers. Other LWIBs cut overhead costs by having the LWIB administrative entity provide WIA services directly rather than contracting them out.

Changes to WIA services due to funding concerns

In addition to using strategies to manage program funds, staff from 23 of the 28 LWIBs reported that they made some changes in service provision to address funding concerns in the period from PY 2011 to PY 2013. Fourteen of these LWIBs cut their WIA-funded staff as a result of funding concerns.

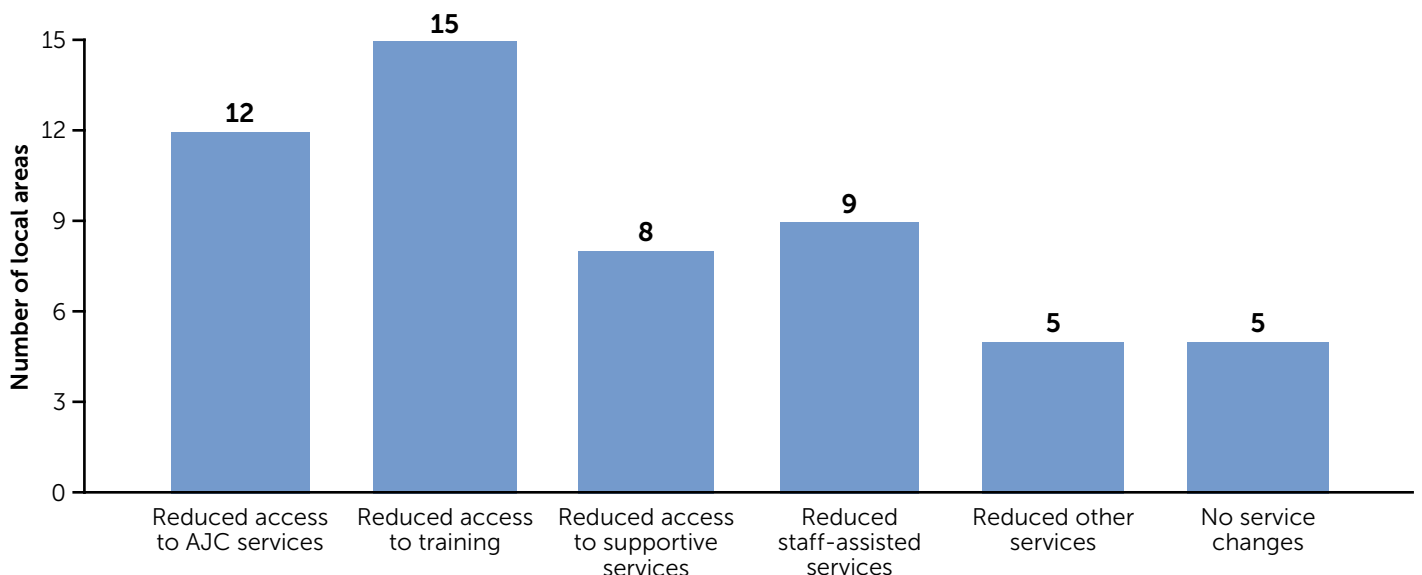
Reduced access to AJC services. LWIB staff in 12 local areas in the study reported closing or reducing AJCs’ operating hours at some time from PY 2011 to PY 2013 (Figure 2). Some AJCs were closed in this time period in seven study local areas. One study local area that had 18 AJCs in PY 2011 had only 8 by PY 2013.

Eight LWIBs decreased the hours AJCs were open (three decreased hours of remaining AJCs in addition to closing other AJCs). Among these eight LWIBs, some made a change in the opening hours of all AJCs and others made changes to only select AJCs. The changes varied from eliminating evening hours, closing 30 minutes earlier, to closing the center one or even several days per week.

To minimize the effects of the reduced AJC access, staff in study LWIBs reported assessing customer volume, staff productivity, and distance from other AJCs to determine which AJCs to close or to reduce operating hours. One study LWIB sought to reduce the effects of closures of affiliate AJCs by deploying a mobile unit one day per week in the areas served by the closed affiliate centers. Other LWIBs used community-based access sites—such as libraries, service organizations, and community colleges—to maintain customers’ access to services.

Staffing cuts were made hand in hand with the reduced access to AJC services. In all but one of the 12 local areas that reduced access to AJC services, administrators reported cutting staff positions for the WIA Adult and Dislocated Worker programs. Staffing cuts occurred primarily through lay-offs but some reductions were made by altering positions from full- to part-time or through attrition.

Figure 2. Changes to WIA services in 28 local areas in response to funding concerns from PY 2011 to PY 2013



Source: WIA Gold Standard Evaluation qualitative data collection, 2014.

Reduced access to training and supportive services.

In slightly more than half of the study local areas (15 of 28), LWIB staff reported that they reduced the number of customers receiving training or the approved amount for training, for at least for some period, as a result of funding cuts or delays. Staff of the 15 LWIBs reported the following actions:

- 12 froze entry into training in the first four or five months of PY 2013 in reaction to sequestration and the government shutdown
- 6 reduced the proportion of funding spent on customer training from PY 2011 to PY 2013
- 3 both reduced the proportion of funding directed toward training overall, and froze entry into training in the fall of 2013

Staff from eight study LWIBs reported making cuts to supportive services. Staff of one study LWIB reported making a 40 percent cut to supportive services funds in PY 2013 and planning for an additional 14 percent cut in PY 2014. Cuts to supportive services included eliminating reimbursement for transportation costs incurred to participate in training or to support work search; tightening restrictions on support for tools, uniforms, or work certifications; or using funds only to assist in emergencies, such as urgent bills for car repairs, utilities, or insurance. There was reportedly little to no use of supportive services funds in a few areas, even before budget cuts.

Reduced staff-assisted services. Staff at nine LWIBs described reductions in staff-assisted services from PY 2011 to PY 2013. These reductions came through a combination of targeting services to fewer customers, increasing reliance on technology, and shifting to group sessions rather than individual assistance. For example, in some of these local areas, staff reported shifting from models of universal

enrollment and providing staff-assisted core services to all AJC customers to increased assessment at service entry to target provision of intensive and training services to a select group of customers. Staff in a few local areas noted increasing the use of email and telephone contact with customers rather than in-person communication and creating more online services for customers.

Reduced other services. Staff at four study local areas reported decreases in the number of workshops offered; they either offered workshops less frequently or did not implement newly planned workshops. In one additional local area, staff reduced business services in order to maintain services to job seekers.

Looking ahead to program funding and strategies under WIOA

Under WIOA, local area administrators are likely to continue to use the flexibility they have to manage funding to maximize services delivered to job seekers through the WIA Adult and Dislocated Worker programs. WIOA specifies funding levels that by 2017, if enacted by Congress each year, would restore funding for the Title I programs to the levels of 2010. WIOA also extends a hold harmless clause to the Dislocated Worker program (that was already in place for the Adult program) to protect local areas from dramatic funding decreases (Table 1). In addition, WIOA includes provisions that promote and support the strategies used by the local areas to manage constrained resources. For example, WIOA allows for a 100 percent transfer of funds between the Adult and Dislocated Worker programs and explicitly authorizes LWIBs to solicit grants and donations from nonfederal sources to diversify the sources of funding for AJC services. Under WIOA, LWIBs are likely to continue to use the available funding management strategies to help meet their customers' demand for services.

ENDNOTES

¹U.S. Department of Labor. “Training and Employment Programs, Summary of Budget Authority, FY 1984 to 2012, by Year of Appropriation.” Washington, DC: Employment and Training Administration, U.S. Department of Labor, 2014. Available at <http://www.doleta.gov/budget/bahist.cfm>.

²PY allotments from Training and Employment Guidance Letter (TEGL) No. 25-12, “Workforce Investment Act (WIA) Adult, Dislocated Work and Youth Activities Program Allotments for Program Year (PY) 2013;” TEGL No. 19-11, “Workforce Investment Act (WIA) Adult, Dislocated Work and Youth Activities Program Allotments for Program Year (PY) 2012;” and TEGL No. 26-10, “Workforce Investment Act (WIA) Adult, Dislocated Work and Youth Activities Program Allotments for Program Year (PY) 2011.”

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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