

DY.00
Governor's Work Force Investment Board

Operating Budget Data

(\$ in Thousands)

	FY 01	FY 02	FY 03		% Change
	<u>Actual</u>	<u>Working</u>	<u>Allowance</u>	<u>Change</u>	<u>Prior Year</u>
General Fund	\$359	\$362	\$355	(\$7)	(2.0%)
Federal Fund	84	110	40	(70)	(63.6%)
Reimbursable Fund	<u>415</u>	<u>525</u>	<u>533</u>	<u>8</u>	<u>1.5%</u>
Total Funds	\$858	\$997	\$928	(\$69)	(6.9%)

- The Governor's Work Force Investment Board's (GWIB) fiscal 2003 allowance is \$69,094, or 6.9% less than the fiscal 2002 working appropriation, yet provides for a \$33,350 increase in personnel costs.
- Other increases in the allowance include higher telecommunications costs, expanded consulting services for developing web-based products and services, and a new web site, offset primarily by less federal funding for reviewing critical skills shortages in the Chesapeake Bay area.

Personnel Data

	FY 01	FY 02	FY 03	
	<u>Actual</u>	<u>Working</u>	<u>Allowance</u>	<u>Change</u>
Regular Positions	10.00	10.00	10.00	0.00
Contractual FTEs	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>
Total Personnel	10.00	10.00	10.00	0.00

Vacancy Data: Regular Positions

Budgeted Turnover: FY 03	0.36	3.60%
Positions Vacant as of 12/31/01	0.00	0.00%

- No new positions are in the allowance and all positions are filled.

Note: Numbers may not sum to total due to rounding.

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Analysis in Brief

Issues

Ongoing Progress in Coordinating the Workforce Investment Act: GWIB began developing State policies for coordinating the federal Workforce Investment Act (WIA) in 2000. WIA requires each State to coordinate workforce preparation, career development, employment, training, and education services. How GWIB is progressing in developing its policies for WIA and whether general fund support should continue is discussed. **GWIB and its partner agencies should be prepared to discuss specific examples of how GWIB's activities have favorably impacted the State's workforce investment outcomes and why these results could not be achieved without the involvement of GWIB.**

Recommended Actions

	<u>Funds</u>	<u>Positions</u>
1. Delete general funding and four positions from the Governor's Work Force Investment Board.	\$ 355,025	4.0
2. Delete funding for creating web-based services and products and developing a new web site.	3,135	
3. Delete funding for three replacement computers.	3,067	
4. Delete funding for staff Managing for Results (MFR) training.	414	
Total Reductions	\$ 361,641	4.0

Updates

Evaluating the Fairness of GWIB's Revised Funding Mechanism: The Department of Budget and Management (DBM) revised GWIB's funding mechanism to more fairly distribute the financial burden of various State agencies in supporting GWIB's activities. Whether this mechanism produces a fairer distribution of the financial burden is explored.

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Operating Budget Analysis

Program Description

Originally established in 1983 and authorized to coordinate the federal Workforce Investment Act in 1998, the Governor's Work Force Investment Board (GWIB) develops plans, policies, and programs to maximize the potential of Maryland's workforce investment system for citizens and businesses by overseeing policies affecting education and training, advising the Governor of workforce needs, and recommending ways to meet those needs. Additionally, the agency works as a partner with State agencies, local governments, and the private sector to fully utilize State and federal funds and avoid duplication of effort. The Governor's Work Force Investment Board acts as a facilitator, initiator, and advocate for interagency coordination of cross-agency workforce initiatives. The Governor appoints up to 40 members to the board for one- to four-year terms. Board members represent the business community, government, the legislature, education, organized labor, and community-based organizations. GWIB currently has ten authorized staff positions to assist the board.

Fiscal 2002 Actions

Cost Containment

GWIB has deducted \$1,000 from its Maryland Integrated Data System (MIDS) funding to comply with the Governor's cost containment measures. GWIB notes that the agency will not know if the reduction will affect GWIB's ability to generate workforce data or studies until later in fiscal 2002.

Governor's Proposed Budget

Exhibit 1 shows that the Governor's fiscal 2003 allowance is \$69,094, or 6.9% less than the fiscal 2002 working appropriation. The decrease consists of \$7,081, or 2.0% less in general funds and \$70,006, or 63.6% less in federal funds, offset by a \$7,993, or 1.5% increase in reimbursable funds. How these changes may impact GWIB's operations is discussed below in the context of three of GWIB's four Managing for Results (MFR) goals.

Provide the Governor, General Assembly, and Others with Sound Policy Analyses and Specific Recommendations on Ways to Continuously Improve Maryland's Workforce Development System (Goal 4)

In providing sound policy analyses and specific recommendations, GWIB is working to retain its current staff. GWIB intends to devote \$33,350 more in fiscal 2003 than in fiscal 2002 to personnel

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expenses. These expenses include fiscal 2003 increments, annualization of the fiscal 2002 general salary increase, and health insurance and retirement rate increases.

Other changes include increased costs for telecommunications and computer replacement. These higher costs are greatly offset by lower spending on postage and rent, insurance coverage, association dues, equipment rental, and other office equipment replacement.

Establish a Governance System Focused on Unified Planning, Continuous Improvement, and Accountability for Results (Goal 3)

One of GWIB's objectives in establishing a governance system focused on unified planning, continuous improvement, and accountability for results is to build upon existing databases and develop useful labor market information systems and reports. For one of these systems – the Occupational Forecasting Management System (OFMS) – GWIB anticipates spending slightly less in fiscal 2003 due to greater experience among GWIB staff in developing the OFMS report. GWIB also anticipates spending less in fiscal 2003 for MIDS. Finally, GWIB will continue to review workforce strategies for the Chesapeake Bay area with the remaining federal funds from a U.S. Department of Labor grant.

Provide Students, Job Seekers, Incumbent Workers, Out-of-School Youth, and Employers the Labor Market and Training Information and Assistance They Need to Succeed (Goal 2)

The allowance contains funding to assist GWIB in creating web-based products, services, and a new web site.

Exhibit 1

**Governor's Proposed Budget
Governor's Work Force Investment Board
(\$ in Thousands)**

How Much It Grows:	General <u>Fund</u>	Federal <u>Fund</u>	Reimb. <u>Fund</u>	<u>Total</u>
2002 Working Appropriation	\$362	\$110	\$525	\$997
2003 Governor's Allowance	355	40	533	928
Amount Change	(\$7)	(\$70)	\$8	(\$69)
Percent Change	(2.0)%	(63.6)%	1.5%	(6.9)%

Where It Goes:

Provide the Governor, General Assembly, and others with sound policy analyses and specific recommendations on ways to continuously improve Maryland's workforce development system (Goal 4)

Personnel Expenses

Fiscal 2003 increments	\$7
Annualization of the fiscal 2002 general salary increase	12
Health insurance and retirement rate increases	11
Other personnel adjustments	4

Operating Expenses

Higher telecommunications costs offset by lower postage costs	7
Replacement of three personal computers	1
Reduced training, limiting each staffer to one software application or professional development class and two staff members to MFR training	(3)
Less funding for equipment rental due to GWIB's fiscal 2002 purchase of a copier, and office and computer equipment replacement	(9)
Less funding for rent, insurance coverage, association dues, and software upgrades ..	(10)

Establish a governance system focused on unified planning, continuous improvement and accountability for results (Goal 3)

Decrease in funding needed for OFMS due to greater experience among GWIB staff in developing the OFMS report	(2)
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Where It Goes:

Less funding for MIDS due to the need to cover higher personnel, telecommunications, and other costs	(21)
Federal funding for a community audit to review Chesapeake Bay area workforce development strategies declines	(68)
Provide students, job seekers, incumbent workers, out-of-school youth, and employers the labor market and training information and assistance they need to succeed (Goal 2)	
Assistance in creating web-based products, services and a new web site	5
Other	(2)
Total	(\$69)

Note: Numbers may not sum to total due to rounding.

Performance Analysis: Managing for Results

Accountability

The Governor's proposed budget does not contain any funding that would impact GWIB's first goal of having a State workforce development system that produces the best-educated and most highly skilled workforce in the world. GWIB cannot be held solely accountable for achieving a better educated populace, a lower dropout rate, or a higher college readiness rate. GWIB's plans and policies, in conjunction with the efforts of the Maryland State Department of Education (MSDE) and the Maryland Higher Education Commission (MHEC) will help GWIB reach this goal. GWIB should specify the particular efforts it is undertaking to achieve a better-educated and more highly-skilled workforce and link these efforts to any improvement. By creating a more direct link, GWIB can be held accountable for its first goal.

GWIB's second and most concrete goal of providing students, job seekers, incumbent workers, out-of-school youth, and employers the labor market and training information and assistance they need to succeed has no fiscal 2000 actual data. Additionally, only one of the five performance measures has any fiscal 2001 data. GWIB consequently has almost no data on whether it is helping those individuals most in need of workforce development and for whom millions of dollars in State and federal aid are being spent each year.

The Department of Legislative Services (DLS) recommends GWIB be prepared to comment on why there is no performance data in fiscal 2000 and almost no data in fiscal 2001 for the performance measures provided under its second goal.

Issues

1. Ongoing Progress in Coordinating the Workforce Investment Act (WIA)

GWIB began developing State policies for coordinating the federal WIA in 2000. WIA requires each state to coordinate workforce preparation, career development, employment, training, and education services. GWIB develops a yearly action plan to focus efforts on developing policies for WIA. The fiscal 2002 action plan primarily focuses on addressing critical skill shortages with related efforts on educating at-risk youth, ex-offenders and others; improving workforce information; and developing a communications and marketing strategy.

Progress on Fiscal 2002 Action Plan

A November 8, 2001 progress report shows that GWIB has undertaken the following actions in working toward its goals:

- ***Addressing Critical Skills Shortages*** – GWIB is currently reviewing a draft Critical Skills Forecaster model developed by Towson University. GWIB intends to use this model to generate quarterly projections of critical skills shortages. GWIB also is working with the Southern Maryland, Susquehanna, Upper Shore, and Lower Shore workforce development areas using a U.S. Department of Labor grant to find ongoing vacancies and their relevant skill sets and to promote industry consortia. GWIB has contracted with the Jacob France Center and the Department of Labor, Licensing and Regulation (DLLR) to identify the vacancies through surveys and visitations. Additionally, GWIB will undertake the following actions:
 - review the best practices in other states, local jurisdictions, and the nation for resolving critical skills shortages;
 - support full funding for the Maryland Applied Information Technology Initiative (MAITI), particularly for the community colleges; and
 - evaluate MHEC and the Department of Business and Economic Development's work in identifying incentives such as scholarships and tax credits.
- ***Leaving No One Behind*** – GWIB intends to coordinate programs and initiatives that help traditionally under served populations. In its efforts to improve employment training, GWIB has supported the Skills-Based Training for Employment Promotion (STEP) advisory committee's recommendations to distribute operational grants to Montgomery County and Baltimore City with a planning grant to Prince George's County. GWIB also has developed measures and standards which adult education training providers must satisfy to receive training funds under WIA.
- ***Improving Workforce Information*** – GWIB has completed an environmental scan of available workforce information, formed a workgroup to create a customer satisfaction survey for workforce information products, and is developing a workforce information fact sheet. GWIB also is reviewing

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how well the 12 local workforce investment areas are satisfying 17 WIA measures on earnings, retention, credentials, and customer satisfaction.

- ***Developing a Communications and Marketing Strategy*** – The board has hired a consultant who will examine current workforce-related marketing efforts and develop a report to show how to improve the marketing of the State's workforce programs.

While GWIB is actively complying with WIA requirements, it is not clear what other benefits the State reaps from GWIB's existence. The board's Managing for Results submission provides little evidence that the board's work results in demonstrable improvements in Maryland's workforce investment system. Therefore, DLS recommends deleting all general fund support for the board and abolishing four positions. Reimbursable funds and the remaining complement of six staff should be sufficient to coordinate WIA.

GWIB and its partner agencies should be prepared to discuss specific examples of how GWIB's activities have favorably impacted the State's workforce investment outcomes and why these results could not be achieved without the involvement of GWIB.

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Recommended Actions

	<u>Amount Reduction</u>		<u>Position Reduction</u>
1. Delete general funding and four positions from the Governor's Work Force Investment Board. The board's federal and State mandates can be accomplished using existing reimbursable and federal funds.	\$ 355,025	GF	4.0
2. Delete funding for creating web-based services and products and developing a new web site. Due to fiscal 2003 budgetary constraints, these projects should be postponed.	3,135	RF	
3. Delete funding for three replacement computers. Due to budgetary constraints, no increase in funding above the fiscal 2002 legislative appropriation is justified.	3,067	RF	
4. Delete funding for staff Managing for Results (MFR) training. Since the MFR Initiative is entering its fourth year and the Governor's Workforce Investment Board will have no new staff in fiscal 2003, funds are not needed for MFR training.	414	RF	
Total Reductions	\$ 361,641		4.0
Total General Fund Reductions	\$ 355,025		
Total Reimbursable Fund Reductions	\$ 6,616		

Updates

1. Evaluating the Fairness of GWIB's Revised Funding Mechanism

DBM revised GWIB's funding mechanism to more fairly distribute the financial burden of various State agencies in supporting GWIB's activities.

Failure to Include all Workforce Development Programs Leads to a Revised GWIB Funding Mechanism

Prior to fiscal 2001, GWIB annually negotiated for a share of funds from other State agencies' workforce development programs. In order to provide a more stable source of funding, the General Assembly requested GWIB and DBM develop a funding mechanism for GWIB's annual budget. DBM developed a formula in which each State agency involved in workforce development provided an equal percentage share of its federal and State workforce development grants to GWIB.

The formula was first applied to GWIB's fiscal 2001 budget. The fiscal 2001 allowance divided GWIB's budget into roughly 50% general funds and 50% reimbursable funds from the partner agencies. In the 2000 legislative session, the budget committees expressed their concern that GWIB's budget relied too much on general funds and requested DBM to again revise GWIB's funding mechanism so that 40% of GWIB's budget would come from general funds and 60% would come from reimbursable funds.

The budget committees expressed another concern in the 2001 legislative session, noting that perhaps not all workforce development programs or agencies with workforce development programs were included in GWIB's funding mechanism. The budget committees requested that DBM further revise the funding formula for fiscal 2003 to ensure all agencies involved in workforce development and all workforce development programs would be captured in GWIB's funding formula.

Exhibit 2 shows the revised formula for fiscal 2003. The revised formula continues to provide approximately 40% general funds and 60% reimbursable funds for GWIB's budget, with all partner agencies contributing approximately 0.4% of their federal and State workforce development grants to GWIB's budget. The revised formula now includes \$89,686 from MHEC. DBM has noted that it will review this list annually to capture any new workforce development programs and adjust partner agency contributions as needed.

Exhibit 2

**Partner Agency Contributions to GWIB's Budget
Fiscal 2003**

Partner Agency	FY 02 Legislative Appropriation (Reim. Funds)	% of FY 02 Legislative Appropriation (Reim. Funds)	FY 03 Allowance (Reim. Funds)	% of FY 03 Allowance (Reim. Funds)
Department of Labor, Licensing, and Regulation (DLLR)	\$367,214	70.0%	\$212,864	40.0%
Department of Human Resources (DHR)	66,006	12.6%	91,909	17.3%
Maryland Higher Education Commission (MHEC)	0	0.0%	89,686	16.8%
Maryland State Department of Education (MSDE)	16,379	3.1%	84,869	15.9%
Department of Business and Economic Development (DBED)	51,001	9.7%	35,325	6.6%
Department of Juvenile Justice (DJJ)	17,000	3.2%	11,370	2.1%
Department of Aging (DOA)	6,941	1.3%	6,511	1.2%
Total	\$524,541	100.0%	\$532,534	100.0%

Source: Governor's Fiscal 2003 Budget Book

Does the Revised Funding Mechanism Distribute a More Equal Financial Burden Among Partner Agencies?

Exhibit 2 shows that, although their total contributions continue to increase, the financial burden of each agency is more evenly distributed since DLLR will be providing only 40% rather than 70% of GWIB's reimbursable funds. DBM will be reviewing the funding mechanism annually to capture any new workforce development programs and adjust partner agency contributions as needed.

Current and Prior Year Budgets

**Current and Prior Year Budgets
Governor's Work Force Investment Board
(\$ in Thousands)**

	<u>General Fund</u>	<u>Special Fund</u>	<u>Federal Fund</u>	<u>Reimb. Fund</u>	<u>Total</u>
Fiscal 2001					
Legislative Appropriation	\$359	\$0	\$0	\$523	\$882
Deficiency Appropriation	0	0	0	0	0
Budget Amendments	2	0	111	0	113
Reversions and Cancellations	(2)	0	(26)	(109)	(137)
Actual Expenditures	\$359	\$0	\$84	\$415	\$858
Fiscal 2002					
Legislative Appropriation	\$363	\$0	\$0	\$525	\$888
Budget Amendments	(1)	0	110	0	109
Working Appropriation	\$362	\$0	\$110	\$525	\$997

Note: Numbers may not sum to total due to rounding.

The fiscal 2001 legislative appropriation was increased by \$112,864, primarily due to a \$110,605 federal fund increase in fiscal 2001. This increase reflects a transfer of fiscal 2000 federal expenditures and revenues to reimbursable funds that occurred after the closeout of fiscal 2000. Since the costs charged to fiscal 2000 federal funds were appropriate and should not have been transferred to reimbursable funds, GWIB appropriately charged its federal costs to its federal fund in fiscal 2001, effectively reversing the earlier transfer and leaving \$108,843 in the reimbursable fund for reversion.

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The fiscal 2002 general fund appropriation was decreased by \$1,000 from GWIB's MIDS to comply with the Governor's cost containment measures.

The fiscal 2002 federal fund appropriation was increased by \$110,000 to reflect grant funds from the Workforce Investment Act's Employment and Training Administration. The grant funds will be used to assist GWIB in analyzing and developing workforce strategies in the Chesapeake Bay area.

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Appendix 2

**Object/Fund Difference Report
Governor's Work Force Investment Board**

<u>Object/Fund</u>	FY02		FY03 <u>Allowance</u>	FY02 - FY03 <u>Amount Change</u>	Percent <u>Change</u>
	FY01 <u>Actual</u>	Working <u>Appropriation</u>			
Positions					
01 Regular	10.00	10.00	10.00	0	0%
Total Positions	10.00	10.00	10.00	0	0%
Objects					
01 Salaries and Wages	\$ 576,107	\$ 648,025	\$ 681,375	\$ 33,350	5.1%
02 Technical & Spec Fees	1,645	5,600	2,690	(2,910)	(52.0%)
03 Communication	29,007	17,960	24,606	6,646	37.0%
04 Travel	13,831	15,311	14,820	(491)	(3.2%)
08 Contractual Services	169,731	247,786	155,566	(92,220)	(37.2%)
09 Supplies & Materials	25,510	21,642	14,026	(7,616)	(35.2%)
10 Equip - Replacement	0	8,577	6,112	(2,465)	(28.7%)
13 Fixed Charges	24,311	31,746	28,358	(3,388)	(10.7%)
14 Land & Structures	17,544	0	0	0	0.0%
Total Objects	\$ 857,686	\$ 996,647	\$ 927,553	(\$ 69,094)	(6.9%)
Funds					
01 General Fund	\$ 358,750	\$ 362,106	\$ 355,025	(\$ 7,081)	(2.0%)
05 Federal Fund	84,435	110,000	39,994	(70,006)	(63.6%)
09 Reimbursable Fund	414,501	524,541	532,534	7,993	1.5%
Total Funds	\$ 857,686	\$ 996,647	\$ 927,553	(\$ 69,094)	(6.9%)

Note: Full-time and contractual positions and salaries are reflected for operating budget programs only.

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Appendix 3

Fiscal Summary						
Governor's Work Force Investment Board						
<u>Unit/Program</u>	<u>FY01 Actual</u>	<u>FY02 Legislative Appropriation</u>	<u>FY02 Working Appropriation</u>	<u>FY01 - FY02 % Change</u>	<u>FY03 Allowance</u>	<u>FY02 - FY03 % Change</u>
01 General Administration	\$ 857,686	\$ 887,647	\$ 996,647	16.2%	\$ 927,553	(6.9%)
Total Expenditures	\$ 857,686	\$ 887,647	\$ 996,647	16.2%	\$ 927,553	(6.9%)
General Fund	\$ 358,750	\$ 363,106	\$ 362,106	0.9%	\$ 355,025	(2.0%)
Federal Fund	84,435	0	110,000	30.3%	39,994	(63.6%)
Total Appropriations	\$ 443,185	\$ 363,106	\$ 472,106	6.5%	\$ 395,019	(16.3%)
Reimbursable Fund	\$ 414,501	\$ 524,541	\$ 524,541	26.5%	\$ 532,534	1.5%
Total Funds	\$ 857,686	\$ 887,647	\$ 996,647	16.2%	\$ 927,553	(6.9%)