



Monterey County

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Board Report

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- a. Receive report on FY17-18 funding for Office of Employment Training and Adult and Dislocated Worker program;
- b. Appoint an ad hoc committee of the Board of Supervisors to develop a strategic approach to workforce training programs in Monterey County;
- c. Direct that a report back to the Board of Supervisors be provided on July 25, 2017; and
- d. Provide other direction to staff as appropriate.

RECOMMENDATION:

It is recommended that the Board of Supervisors:

- a. Receive report on FY17-18 funding for Office of Employment Training and Adult and Dislocated Worker program;
- b. Appoint an ad hoc committee of the Board of Supervisors to develop a strategic approach to workforce training programs in Monterey County;
- c. Direct that a report back to the Board of Supervisors be provided on July 25, 2017; and
- d. Provide other direction to staff as appropriate.

SUMMARY/DISCUSSION:

This report is in response to direction given by the Board of Supervisors at the June 5 and 6, 2017 budget hearings. In general, the Board directed that staff clarify the funding reduction which placed 7 Office of Employment Training positions at risk for FY17/18. The Board also directed that staff report back on the possible reorganization of OET and Economic Development in order to ensure that the County maintains a viable, competitive work training program to benefit the community.

Funding for OET: The Office of Employment and Training (OET), a unit of the Economic Development Department, provides workforce training for youth, adult and dislocated workers. Funding for these programs is provided 100% from the Workforce Innovation and Opportunity Act (WIOA) administered by the U.S. Department of Labor. It is important to note that although OET employees are County employees, all funding for these positions is provided by the Federal government. The funding path is from the U.S. Department of Labor to the State of California to the local Workforce Development Board (procurer of service) to OET (service provider). Each year, OET receives a funding allocation from the Workforce Development Board (WDB) based upon two sources: 1) annual funding allotment for workforce training from the U.S. Department of Labor, and 2) funds not expended in the previous fiscal year, known as "carry in" funds. Thus, the OET budget is based upon a funding level provided to the Economic Development Department by the WDB. County general fund dollars have not historically been part of the OET budget.

In past fiscal years, unspent funds would be “carry in” funds added to the total dollar amount available for budgeting purposes to OET. For the FY17/18 budget, there was a reduced amount of “carry in” funding available from WDB in the adult and dislocated worker program due to the level of funding expended for training in FY16/17. Also, there has been a program wide reduction by the U.S. Department of Labor in the funding available for adult and dislocated worker training for the FY17/18 fiscal year. These two reductions, coupled with overhead costs and increases in salaries and benefits created an \$800,000 overall negative funding impact placing 7 positions at risk in OET.

Based upon information provided to the CAO from the Economic Development Director and the WDB Interim Director, the cost of impacts described above as related to the OET adult and dislocated worker proposed budget for FY17/18 are as follows:

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| 1. Department of Labor reduction in Adult and Dislocated Formula Funds | \$200,000 |
| 2. Decrease in available “carry in” dollars from WDB FY16/17 | \$470,671 |
| 3. Salaries and Benefits 2.5% increase | \$100,000 |
| 4. Proportionate Overhead costs | \$ 30,000 |

Total Budget Impact: \$800,671

During the FY17/18 budget hearings on June 5 and 6, 2017, the Board gave direction to augment the recommended OET budget by \$203,000 to fund the 7 at risk positions through the end of September in order to protect these employees in the short term while options for future organization and operation are developed. The Board also directed that staff report on the potential reorganization of OET and the Economic Development Department to increase the viability and competitiveness of the County workforce training programs.

Workforce Training Programs in Monterey County - Structure and Challenges: The County of Monterey operates two significant workforce training programs which serve the community. One is operated by the Department of Social Services (DSS) (see Attachment A) and the other is operated by the WDB through OET (see Attachment B). Both the WDB and OET are currently within the organizational structure of the County Administrative Office. There is a degree of overlap in the customer base of the DSS and the WDB/OET training programs although there are also significant differences in clientele. Both programs are challenged by declining Federal funding levels and there is a strong concern that these funding levels will continue to decline for the foreseeable future. The need for workforce training in Monterey County clearly exists. However, organizational structure and funding options need to be explored more fully and strategically. The opportunities for synergy and efficiency between the two programs should be explored and enhanced.

Another challenge particular to the WDB/OET relationship is that WIOA now requires competitive procurement of services, leading to a level of uncertainty within OET regarding its future operations. Recently, after a competitive process, the WDB awarded a contract for Youth Services in South County to Turning Point, Inc. This contract award places 4 filled OET positions at risk. A protest has been submitted to the WDB regarding this contract award. A 2-year waiver for the Adult and Dislocated Worker services is in place, but these will be required to be competitively procured in 2019; at that time, all WDB/OET programs must be

competitively procured, placing OET in competition with various local non-profits which conduct workforce training programs.

Although, one can argue that workforce training is more of a social services program within DSS, one can equally argue that these programs are part of the local economic development fabric and, as such, should be located within the Economic Development Department. Staff believes there is a strong need for a well thought out, integrated workforce training program which meets the needs of the residents and employers in Monterey County, regardless of where in the County organizational structure these programs are located. Additional background information is contained in a May 31, 2017 staff memo (Attachment C) in response to a Board referral examining the potential for reorganization of OET into DSS.

Ad Hoc Committee: The staff recommends that an ad hoc committee of the Board of Supervisors be appointed to review and recommend organizational options for an effective, coordinated and fiscally prudent workforce training program in Monterey County. Staff suggests that the ad hoc committee meet with appropriate stakeholders as soon as possible. Because this matter is time sensitive, staff recommends that the ad hoc committee report its recommendations to the Board of Supervisors at the July 25, 2017 meeting.

OTHER AGENCY INVOLVEMENT:

This report was prepared in consultation with the Director of Social Services, Director of Economic Development and the Interim Executive Director of the Workforce Development Board.

FINANCING:

There is no impact to the General Fund related to the actions recommended in this report. As noted in the attached May 31, 2017 memo to the Board of Supervisors, should the Board ultimately direct reorganization of OET into DSS, an annual General Fund contribution of \$345,000 would be required to provide adequate management and support positions to the DSS structure. Long-term costs of operating a workforce training program in the face of declining Federal funding are unknown at this time.

BOARD OF SUPERVISORS STRATEGIC INITIATIVES:

Enhancing and maintaining workforce training programs in Monterey County. This report supports the following strategic initiatives:

- Economic Development
- Administration
- Health & Human Services
- Infrastructure
- Public Safety

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Attachments:

- Attachment A (CalWorks/DSS Program Overview)
- Attachment B (WDB/OET Program Overview)
- Attachment C (5/31/17 Response to BoS referral re: Potential OET reorganization into DSS)