



Memorandum

TO: Executive Committee

FROM: Rehan Qedwai

SUBJECT: **See Below**

DATE: May 29, 2023

Approved

Date

SUBJECT: Proposed work2future Workforce Innovation and Opportunity Act (WIOA) Program Operating Budget for FY 2023-24

RECOMMENDATION

Recommend Board approval of staff's proposed WIOA Budget for Fiscal Year (FY) 2023-24, including:

1. WIOA Program Operating Budget of \$10,110,233
2. WIOA Administrative Budget in the amount of \$845,592
3. Proposed WIOA estimated Rapid Response Funding of \$512,371
4. Authorization for staff to transfer funds without additional Board approval
 - a) Between budget line items, as long as there is no change to the overall amount of the WIOA program operating budget
 - b) Between the Adult and Dislocated Worker Programs, as needed to accommodate changes in the numbers of clients served by the two programs, as long as the total of the combined budgets is not changed.

Staff may adjust the budget line items in October/November 2023 as part of the reconciliation process to reconcile projected carry-over with actuals at the end of FY 2022-23.

If approved, the Executive Committee's recommendation will be forwarded to the Board for its meeting on June 15, 2023.

BACKGROUND AND ANALYSIS

On May 18, 2023, the State of California Employment Development Department (EDD) revised PY 22-23 allocations, increasing the Dislocated Worker allocation by \$11,625, and released its planned allocations for WIOA Adult, Dislocated Worker, and Youth funding streams for FY23-24. These allocations are based on the allotments to states issued by the U.S. Department of Labor (DOL), as recognized in Training and Employment Guidance Letter 15-22, dated April 21, 2023. EDD's planned allocations for work2future reflected an approximately 8.4% overall decrease from FY22-23 funding.

In March 2023, staff had presented three Preliminary Adult, Dislocated Worker, and Youth Program Budget Scenarios to the Board: AS IS (the same allocation as FY22-23 – base budget), 5% funding reduction, and 5% funding increase.

Adjustments based on EDD's planned allocations are as follows:

Proposed Sources	FY22-23 \$9.65M Adjusted Budget	Proposed 2023-2024 5% Decrease	FY23-24 Planned 8.4% Decrease May 2023 EDD Notification	FY22-23 vs. Base Budget AS IS (in \$)	FY22-23 vs. FY23-24 Planned 8.4% Decrease (in \$)	Base Budget AS IS vs. FY23-24 Planned 8.4% Decrease (in \$)
	A	B	C	D	E (c-a)	F (c-b)
Formula Allocation	\$7,023,470	\$6,672,297	\$6,452,098	\$0	\$(571,372)	\$(571,372)
15% Board Mandated Reserve from prior year allocation	\$896,446	\$1,053,521	\$1,053,521	\$157,075	\$157,075	\$0
Projected Carry Over from current year (includes unallocated contingency reserve)	\$3,493,073	\$4,041,381	\$4,217,639	\$548,308	\$724,566	\$176,258
Carry Over to FY 2023-24/2024-25	(1,053,521)	(1,000,845)	(967,815)	\$0	\$85,706	\$85,706
Administrative Funding (10% of Allocation)	(702,347)	(667,230)	(645,210)	\$0	\$57,137	\$57,137
Proposed Funding Sources	\$9,657,121	\$10,099,124	\$10,110,233	\$705,383	\$453,112	\$(252,271)

As indicated in the above table, there is an increase in the projected savings from the March approved base budget amounting to \$176,258 mainly from the unspent client services budget. This projected savings may help in eliminating the current funding decrease of \$571,372. Overall, in comparison to the March 2023 work2future base operating budget, there is a minor negative change of \$252,271. The reduction is applied to various budget line items as shown in the table below.

Proposed Uses	FY22-23 \$9.65M Adjusted Budget	Proposed 2023-2024 5% Decrease	FY23-24 Planned 8.4% Decrease May 2023 EDD Notification	FY22-23 vs. Base Budget AS IS (in \$)	FY22-23 vs. FY23-24 Planned 8.4% Decrease (in \$)	Base Budget AS IS vs. FY23-24 Planned 8.4% Decrease (in \$)
	A	B	C	D	E (c-a)	F (c-b)
Personnel Costs	\$2,598,093	\$2,659,773	\$2,659,773	\$61,680	\$61,680	0
Non-Personnel Costs	525,286	595,745	528,263	70,459	2,977	(67,482)
Adult Client-Related Services	1,789,593	3,174,333	3,178,371	1,456,262	1,388,778	(67,484)
Youth Client-Related Services	1,041,019	1,148,543	1,112,048	127,822	71,029	(56,793)
One Stop Operator	30,000	30,000	30,000	0	0	0
Distribution to Service Providers	2,651,837	2,433,937	2,538,013	(46,340)	(113,824)	(67,484)
Unallocated Contingency Reserve	1,021,293	56,793	63,765	(964,500)	(957,528)	6,972
Total Proposed Uses	\$9,657,121	\$10,099,124	\$10,110,233	\$705,383	\$453,112	\$(252,271)

- Personnel Costs
 - The personnel costs budget of \$2,659,773 is based on FY22-23 proposed Salary and Fringe Benefits report. This may be adjusted due to the actual Cost of Living Adjustment percentage increase that will be agreed upon between the employee bargaining units and the City of San José.
- Non-Personnel Costs
 - Non-personnel costs budget has decreased from \$595,745 to \$528,263. The decrease is mainly due to the reduction of consulting services, the decrease is due to less anticipated needs for FY23-24.
 - Adult and Youth Client-Related Services Adult and Youth Client-Related Services budgets are set at \$3,178,371 and \$1,12,048, respectively. Funding has decreased this last year however we will still have a carryover amount that can be added for additional services. work2future was able to meet the SB734 30% training and 20% work experience compliance requirement for Adult & Dislocated Worker and Youth programs, respectively.
- One-Stop Operator
 - A budget of \$30,000 reflects the contractual costs for the current one-stop operator.
- Distribution to Service Providers-
 - Service providers budget is decreased from \$2,605,497 to \$2,538,013. The change is due to the enrollment in the Adult and Dislocated Workers, and the reduction in fund allocation from the State. The enrollment goal for the Youth program will be 250 participants, 150 in-school participants, and 100 out-of-school participants.
- Unallocated Contingency Reserve
 - This is the “balancing” figure in the budget which is set currently at \$63,765. It is used to augment the current program operating budget should an unanticipated need arises, or if unspent, bridge the funding gap in the program operating budget for the following fiscal year.

SB734-TRAINING ALLOCATIONS

20% of Combined Adult (AD) and Dislocated Worker (DW) Base Funding Allocation

SB734 requires Workforce Development Boards to expend 30% of their Adult and Dislocated Worker allocations on training. To meet this requirement, the staff proposes to allocate a training budget of 20% of the Adult and Dislocated Worker allocations, with the additional 10% to be raised by the service providers through leveraged funding. Examples of leverage funds in the past include employers’ share of on-the-job training, Pell grants, and registered apprenticeship wages.

For FY 2023-24, the staff is proposing to include the FY 2022-23 estimated carry-over amount plus 100% of the 20% training budget for the current year allocation. In the past, work2future was able to spend the allotted training dollars in the 1st year of the grant’s term but because of the challenges posed by COVID-19, work2future needs to catch up first with the prior year’s training funds in order to comply with the SB734 requirement.

The table below shows the Training Budget relative to the SB 734 training expenditure requirement:

WIOA ADULT AND DISLOCATED WORKER PROGRAM	Proposed Budget
Projected Adult and Dislocated Worker Program Allocation FY 2023-24	\$4,399,814
Training Requirement (30% of Projected Allocation)	1,319,944
Training Budget at 20%*	\$879,963
Leverage Funds at 10% to be raised	439,981
Training Funds Requirement for FY 2022-23 Allocation	\$1,319,944
FY 2022-23 Estimated Carry-Over Training Amount	\$740,308
FY 2022-23 100% of the 20% Training Allocation	879,963
SB 734 Training Budget for FY 2023-24	\$1,620,271

*Training budget covers ETPL, OJT, cohort, and SB 734 eligible workshops.

The proposed training and workshop budgets will be placed in a *funding pool* that will be universally accessible to all eligible training providers from the State Eligible Training Provider List, and all workshop providers that were selected through the Request for Proposal (RFP) process. A portion of this amount will be distributed to the Equus Workforce Solutions to fund On-the-Job Training (OJT) services for eligible clients.

WIOA YOUTH JOB READINESS/WORK EXPERIENCE TRAINING PROGRAM

20% of Youth Program Base Funding Allocation

WIOA places a new priority on work-based learning by requiring that at least 20% of the Youth Program allocation be used for paid and unpaid work experience programs. These program investments may include summer and year-round opportunities, such as pre-apprenticeship programs, internships, and OJT training.

Like Adult and Dislocated Worker SB 734 training allocation, for FY 2023-24, the staff is proposing to include the FY 2023-24 WEX carry-over amount plus 100% of the 20% WEX budget for the current year allocation. This is again due to the catch-up that work2future needs to comply with the requirement.

WIOA YOUTH PROGRAM	Proposed Budget
Projected Youth Program Allocation FY 23-24	\$2,040,659
Less: 10% Administration	(204,066)
Youth Program Allocation @ 90%	\$1,836,593
Total Youth Job Readiness/Work Experience Funds Requirement (20% of Youth Program Allocation)	\$367,319
FY 2022-23 Estimated Carry-Over Youth Job Readiness/WEX Amount	\$405,968
FY 2023-24 80% of the 20% Youth Job Readiness/WEX Allocation	367,319
Youth Job Readiness/WEX Budget for FY 2023-24	\$773,287

The full amount of \$773,287 will be distributed to Equus Workforce Solutions and International Rescue Committee to cover the WIOA-required Youth work experience program. A portion of this amount can be used to fund staffing to administer the work experience program. The work experience line item is shown as a separate line item from the funding distribution to service providers to show that the 20% funding threshold as required by WIOA is met.

WIOA ADMINISTRATIVE BUDGET

work2future’s Administrative Budget represents 10% of the total WIOA formula allocation from the Adult, Dislocated Worker, and Youth programs plus the estimated carry-over savings from FY22-23.

The table below shows how the Administrative funding is distributed.

WIOA ADMINISTRATIVE	Proposed Budget
Projected Adult, Dislocated Worker and Youth Program Allocation FY 2023-24	\$6,440,473
Proposed Administrative Budget (10% of Projected Allocation)	644,047
FY22-23 Estimated Carry-Over	201,545
Total Proposed Administrative Budget	\$845,592
Personnel Costs (3.45 FTE)	\$536,268
City Attorney’s Office	127,408
Non-Personnel Cost	37,227
City Overhead @ effective rate of 3.06%	80,168
Distribution to Service Providers	64,521
Total Proposed Administrative Budget	\$845,592

Staff has worked with the City’s Finance Department and the Budget Office since 2015 to exempt work2future from the standard methodology that the City uses for computing overhead for grants and to allow work2future to set a rate that can be accommodated by the State’s funding limitations on administrative services, taking into account the fluctuating nature of work2future’s funding.

In May 2023, the City Finance Department informed work2future of its overhead rate for FY 2023-24 of 84.46% which is a 19.69% increase from last fiscal year’s rate of 64.78%. As can be inferred, work2future cannot pay the full City Overhead amount, estimated at \$2.05 million. As shown above, work2future can only pay \$74,454, which translates to an effective rate of approximately 3.06%.

It is also noted that 10% of the total available administrative funding allocation for work2future has been set aside to be distributed to service providers based on their percentage share in the total WIOA program funding distribution.

WIOA RAPID RESPONSE FUNDING

For FY 2023-24, the proposed Rapid Response Budget is *estimated* at \$512,371 which is the same FY 2022-23 allocation for the Rapid Response program.

The projected funding will be allocated as shown in the table below:

WIOA RAPID RESPONSE	Proposed Budget
Total Estimated Rapid Response Allocation	\$512,371
Personnel Costs (3.55 FTE)	\$444,502
Non-Personnel Cost	42,653
City Overhead	25,216
Total Proposed Rapid Response Budget	\$512,371

Once the final Rapid Response allocation is received from EDD, work2future will provide the Board with a final Rapid Response Budget.

WORK2FUTURE SERVICE PROVIDERS FUNDING DISTRIBUTION SUMMARY

The table below shows the funding distribution to the Service Providers:

Funding Distribution to Service Providers	Adult/Dislocated Worker	Youth	Total
All Service Providers	\$1,618,092	\$919,921	\$2,538,013

To summarize, the following estimated funding will be distributed to the service providers:

Funding	Equus	IRC	Total
WIOA Base Budget	\$2,062,946	475,067	\$2,538,013
Adult/DW OJT	100,000	0	100,000
Youth Work Experience	451,084	322,203	773,287
Supportive Services (SUS)	75,000	50,000	100,000
Administrative	43,229	21,292	64,521
Total	\$2,732,259	\$843,562	\$3,575,821

The budget is subject to further negotiations with the service providers. On-the-Job Training (OJT) services are tentative and the final amount will be determined depending on the estimated number of employers that are willing to provide OJT opportunities for eligible clients. Funding for additional staffing to administer and implement the Youth Work Experience program will be distributed to service providers, including their share of the administrative budget as explained elsewhere in this memo.

OTHER

Staff requests that the Board approve authority for staff to transfer funds between budget line items, so long as there is no change to the overall budget, and the transfer falls within the Board-approved WIOA Operating, Administrative, and Rapid Response budgets.

Staff also requests that the Board approve authority for staff to transfer funds between the Adult and Dislocated Worker programs, as needed, to accommodate changes in the numbers of clients served by the two programs without having to seek additional Board approval.

/s/
 Rehan Qedwai
 Finance Manager

cc: Monique Melchor
 Jeff Ruster

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