IV (B) (3)

FY 2010-2011 Budget

[Action]

BOARD AGENDA: 6-17-10
ITEM: IV (B) 3

work2future
opportunity • jobs • success

Memorandum

TO: work2future Board

FROM: Joy Salandanan
Supervising Accountant

SUBJECT: **work2future Proposed Combined Operating Budget for FY 2010-2011**

DATE: June 17, 2010

Approved Christopher Donnelly Date 6-10-10

RECOMMENDATION

Board approval of the total work2future Proposed Operating Budget for FY 2010-2011 of $17,388,877. The work2future Combined Operating Budget is sourced from the following funding allocations:

- Workforce Investment Act (WIA) allocation that includes FY 2010-2011 formula funding of $10,209,389 and an estimated $594,632 in Rapid Response Funding for a total WIA funding of $10,804,021;

- Workforce Investment Act (WIA) adopted carry-over formula funding from FY 2009-2010 in the amount of $1,766,705.

- American Recovery and Reinvestment Act (ARRA) projected carry-over funding in the amount of $1,958,857.

- New discretionary funding in the amount of $2,334,589 as follows:

  - ARRA Temporary Assistance to Needy Families (TANF) Emergency Contingency Fund (ECF) Subgrant from the Santa Clara County Social Services Agency (SCCSSA) of up to $2,458,225. A memo to City Council to appropriate the funds was submitted for the June 22, 2010 City Council Meeting. $473,636 of this amount will be appropriated in FY 2009-2010 to cover salaries of youth participants for June. The remaining amount of $2,034,589 is directed towards the FY 2010-2011 work2future Combined Operating Budget.

  - Regional Industry Clusters of Opportunity Grant (RICOG) of $100,000, representing work2future's share of the grant awarded to NOVA and work2future by the California Workforce Investment Board, the California Energy Commission, and the California Energy Strategy Panel.

- Small Business Administration (SBA) grant award for Silicon Valley Minority Small Business Initiative in the amount of $200,0000 to address the needs of minority and immigrant entrepreneurs throughout Silicon Valley.

- Projected discretionary carry-over funding in the amount of $984,128 as follows:

  - State Employment Development Department (EDD) WIA/ARRA 25-Percent Dislocated Worker/Rapid Response *projected* carry-over funding of $459,012 for case management and training services.

  - Small Business Administration (SBA) *projected* carry-over funding from FY 2009-2010 of $125,643 for BusinessOwnerSpace.com (BOS) Silicon Valley Small Business Assistance Portal project.

  - EDD Disability Navigator and Assistive Technology Equipment *projected* carry-over funding of $49,072 to enhance client services provided at the One-Stops.

  - Combined Federal Appropriation from the Department of Labor (DOL) and City of San Jose Housing Trust Fund *projected* carry-over from FY 2008-2009 of $310,521 to continue to operate the Project Hope program, a job training program for homeless individuals and non-violent ex-offenders recently released to the community.

  - EDD grant award for Learning Lab Capacity Building *projected* carry-over from FY 2009-2010 in the amount of $15,500 to support staff and partner training to better integrate WIA and partner services at the One Stop Centers.

  - Corporate Grants *projected* carry-over from FY 2008-2009 in the amount of $24,380 to support BusinessOwnerSpace.com annual events and other activities.

The Executive and Finance Committees approved the recommendation at their respective meetings of June 3, 2010 and June 9, 2010. The Youth Council will be asked to approve the contracts for the WIA Formula Youth Program and the ARRA Summer Jobs for Youth Program at their meeting in June 2010.

BACKGROUND AND ANALYSIS

The total available funding for the proposed work2future budget is $17,388,877 which is composed of the WIA allocation of $10,804,021; adopted carry-over from FY 2009-2010 of $1,766,705 less carry-over funding into FY 2010-2011 of $459,423; ARRA projected carry-over funding of $1,958,857; new discretionary funding of $2,334,589 and projected discretionary carry-over funding of $984,128. For 2010-2011, $395,655 is set aside as unallocated funds for client-related services that can be applied towards training, workshops and supportive services. This will allow flexibility for work2future to allocate resources throughout the course of the year depending on client need and demand.

The proposed work2future combined budget for FY 2010-2011 is shown below:

WIA and ARRA Funding:

Sources	Adult	Dislocated Worker	Youth	Rapid Response*	Total
WIA Allocation	$3,234,317	$3,525,679	$3,449,393	$594,632	$10,804,021
Adopted Carry-over from FY 09-10	550,727	638,327	577,651	0	1,766,705
Total WIA Funding	***$3,785,044***	***$4,164,006***	***$4,027,044***	***$594,632***	***$12,570,726***
FY 11-12 Carry-over (5% of Adult, DW and Youth program allocation)	(145,544)	(158,656)	(155,223)	0	(459,423)
Net Available WIA Funding	***$3,639,500***	***$4,005,350***	***$3,871,821***	***$594,632***	***$12,111,303***
ARRA Projected Carry-over	$55,327	$1,219,200	$361,060	$323,270	$1,958,857
Total WIA/ARRA Funding	***$3,694,827***	***$5,224,550***	***$4,232,881***	***$917,902***	***$14,070,160***

* estimated

New Discretionary Funding:

Sources	TANF-ECF	RICOG	SBA	Total
Allocation	**$2,034,589**	**$100,000**	**$200,000**	**$2,334,589**

Projected Discretionary Carry-over Funding:

Sources	WIA/ ARRA 25-Percent	SBA	DPN	DOL Housing	Learning Lab	Corporate Accounts	Total
Allocation	**$459,012**	**$125,643**	**$49,072**	**$310,521**	**$15,500**	**$24,380**	**$984,128**

Total Proposed Budget	**$17,388,877**

WIA FORMULA FUNDING:

The Workforce Investment Division of the State of California Employment Development Department (EDD) conveyed the Youth, Adult Worker, and Dislocated Worker allocation allotments to the various Workforce Investment Boards on April 28, 2010. The State has not released its final allocation for the Rapid Response program; thus, the Rapid Response number is an estimate based on FY 2009-2010 funding of $717,721 minus the percentage decrease in Dislocated Worker funding of 17.15 percent.

The following table shows the WIA allocation received for FY 2010-2011 compared to the allocation received for FY 2009-2010. The total FY 2010-2011 WIA allocation represents a decrease of approximately 13.54% compared to last year's formula allocation and represents a 55.64% reduction in funding if ARRA funds are included.

WIA Allocation	FY 10-11	FY 09-10	Inc (Dec)	Change 2010-2011 vs 2009-2010
Adult Program	$3,234,317	$3,671,512	($437,195)	(11.9%)
Dislocated Worker	$3,525,679	$4,255,510	($729,831)	(17.15%)
Youth	$3,449,393	$3,851,009	($401,616)	(10.43%)
Rapid Response	$594,632	$717,721	($123,089)	(17.15%)
Total WIA Allocation	*$10,804,021*	*$12,495,752*	*($1,691,731)*	*(13.54%)*
Total ARRA Allocation	**0**	**11,857,306**	**(11,857,306)**	**(100%)**
Total Funding Allocation	**10,804,021**	**24,353,058**	**(13,549,037)**	**(55.64%)**

work2future's formula funding reduction was a direct consequence of the State of California's WIA funding reduction of $25.6 million from the Department of Labor. The decline in the FY 2010-2011 State allocation is the result of two main factors:

- Unemployment rates have risen throughout the United States; therefore, more states are receiving increases in WIA formula funding than historically has been the case. Since states other than California have been hit hard with increased Areas of Substantial Unemployment (ASU) of over 6.5%, California's formula allocation has been reduced by $25.6 million. Consequently, work2future's allocation has been reduced by $1.5 million.

- The current federal administration is redirecting 15% of the WIA formula funds in order to offer these monies through competitive, national grants. Although work2future will pursue these new funding opportunities, the direct impact is that less WIA formula funding is being allocated to the local Workforce Investment Boards (WIBs).

Relative to the formula funding for FY 2008-2009, the reduction in WIA formula funding for FY 2010-2011 is 3.5%. Overall, the total operating budget for FY 2010-2011 of $17,388,877 is about $ 693,000 more than the operating budget for FY 2008-2009 of $16,695,536, inclusive of all funding sources.

Further explained on the table on the next page is the breakdown per expense detail of the WIA and ARRA funding. As can be gleaned from the data below, 93% of the WIA/ARRA funding covers program operating expenses, and the remaining 7% is set aside for administrative costs, including the City Attorneys' services (equivalent to 1.5 FTEs) and City overhead costs. The City overhead rate of 45.96% for FY 2010-2011 cannot be accommodated within the WIA 10% administrative cap; hence, $81,673 will be directed towards the City overhead, which represents approximately 8% of the total WIA administrative budget. work2future staff has been in discussion with City Budget and Finance staff to address the shortfall in funding for actual City overhead costs.

The following table shows the expense detail of the WIA/ARRA funding:

Funding Uses	WIA	ARRA	Total Program Budget	Admin (WIA)	Total Proposed Budget
Personnel Costs	2,435,253	362,682	**2,797,935**	0	**2,797,935**
Contracted Client Services	2,500,000	0	**2,500,000**	0	**2,500,000**
Workshops	232,285	326,715	**559,000**	0	**559,000**
Training	0	600,000	**600,000**	0	**600,000**
Incentives (Youth)	0	8,820	**8,820**	0	**8,820**
Supportive Services	251,745	28,800	**280,545**	0	**280,545**
Summer Youth Program 2010 Participants	0	292,446	**292,446**	0	**292,446**
Other Client Related Costs (assessments, toolbox, career café, etc.)	100,000	0	**100,000**	0	**100,000**
Sub-total Client Related Costs	**5,519,283**	**1,619,463**	**7,138,746**	**0**	**7,138,746**
Personnel Costs	2,702,691	129,959	**2,832,650**	860,299	**3,692,949**
Non Personnel Costs (rent, supplies, utilities, etc.) *	2,472,736	209,435	**2,682,171**	78,967	**2,761,138**
City Overhead	0	0	**0**	81,673	**81,673**
Sub-Total Non-Client Related Costs	**5,175,427**	**339,394**	**5,514,821**	**1,020,939**	**6,535,760**
Unallocated Client Services Reserve	**395,654**	**0**	**395,654**	**0**	**395,654**
Total Budget	**11,090,364**	**1,958,857**	**13,049,221**	**1,020,939**	**14,070,160**
% to Total	**79%**	**14%**	**93%**	**7%**	**100%**

* pertains to Summer Youth Employment and City Hall Transition Center costs

DISCRETIONARY FUNDS:

In addition to WIA and ARRA projected carry-over funding, the total proposed budget includes the following discretionary funding, which includes the new grants and projected carry-over funding as follows:

- . New grant funding in the amount of $2,334,589 as follows:

  - Santa Clara County Social Services Agency ARRA-Temporary Assistance to Needy Families (TANF) for up to $2,458,225 to implement a joint Summer Youth Subsidized Employment program that will provide work experience to approximately 840 youth participants, ages 15-17 years old. The total budget for FY 2010-2011 is $2,034,589. work2future has set aside $423,636 to cover the implementation phase of the program. The grant period ends September 30, 2011.

  - Regional Industry Clusters of Opportunity Grant (RICOG) of $100,000 to fund the research and analysis of targeted industry clusters of opportunity. Clusters of

opportunity are sectors of the economy identified by growth in one or more areas: value, jobs, or wages. The goal is to develop and implement a regionally based partnership of employers, training providers, community organizations, organized labor, and other key stakeholders around the Information and Health IT clusters. The grant period ends April 30, 2011.

- The SBA grant of $200,000 will be used to develop, coordinate, and deliver specialized services addressing the unique needs of minority and immigrant entrepreneurs throughout Silicon Valley, coordinated by regional WIBs with partner agencies. These funds will help support one-time start-up costs of the project, will ensure the long-term health and vitality of small businesses, and will be a key component in Silicon Valley's and the nation's economic recovery.

- Projected discretionary carry-over funding in the amount of $984,128 as follows:

  - EDD grant award distribution of WIA/ARRA 25-Percent Dislocated Worker funding for Rapid Response and training activities *projected* carry-over funding of $459,012 to substantially increase the numbers of Dislocated Workers served and trained, particularly NUMMI laid off workers. The grant period ends June 30, 2011. (Original grant: $902,329)

  - Small Business Administration Congressional Earmark Program *projected* carry-over funding of $125,643 to enhance the BusinessOwnerspace.com (BOS) website. Since its launch in October 2007, the BOS website has been accessed by businesses with a variety of needs such as information, access to capital, and technical training. The grant period ends December 31, 2010. (Original grant: $$245,643)

  - EDD ARRA Disability Program Navigator and Assistive Technology Equipment *projected* carry-over funding of $49,072 to integrate a Disability Navigator function into the daily operations at the One-Stop Centers, provide outreach to job seekers, businesses and community partners, and maintain a stable infrastructure for serving customers with disabilities within the One-Stops. The grant period ends June 30, 2011. (Original grant: $99,072)

  - Combined Federal Appropriation from the DOL and City of San Jose Housing Trust Fund *projected* carry-over from FY 2008-2009 of $310,521 to fund a new job training employment preparation program for homeless and at-risk individuals. Through one-on-one case management assistance, job training, and employment assistance, in concert with supportive services from local homeless service providers, Project Hope will continue to assist participants to become self-sufficient, gainfully employed, and ultimately stabilized in permanent housing. The grant period ends October 31, 2010. (Original grant: $920,000)

  - EDD Learning Lab Capacity Building grant award *projected* carry-over from FY 2009-2010 in the amount of $15,500 to fund partner training to support the State's

integration efforts by providing seamless delivery of client services at the One-Stop Centers. The grant period ends December 31, 2010. (Original grant: $15,500)

- Corporate Grants *projected* carry-over from FY 2008-2009 in the amount of $24,380 to support BusinessOwnerSpace.com annual events and other activities. There is no term period for this grant. (Original grant: $40,000)

BUDGET IMPACT

The FY 2010-2011 budget situation presents a challenging set of circumstances, particularly given that no reduction is anticipated in the demand for work2future services over the next 12 months.

Critical to work2future's success has been its prudently targeted expenditure plan and leveraged resource base. This approach has allowed it to weather previous and significant WIA budget reductions, while still exceeding its DOL performance and regulatory requirements and meeting the needs of the thousands of very diverse business and job seeking clients.

With the reduction in funding, the following service reductions are proposed:

- Hours of Operation for all One-Stops will be reduced to pre-ARRA hours of 8:00 a.m. to 5:00 p.m.;
- Training will be reduced from approximately $2.2 million to $600,000;
- Supportive Services will be reduced from $700,000 to $280,000, which translates to a reduction in basic supportive services such as bus passes, gas reimbursements, books and supplies for clients;
- Workshops will be reduced from approximately $1.3 million to $559,000, equivalent to a reduction from 10,000 instructional hours to 2,000 hours of workshops. For FY 2010-2011, workshops will be focused on basic job readiness skills;
- Youth contracted program services have been reduced by $200,000, equivalent to a reduction in youth being served from 206 to 189;
- Adult and Dislocated Workers contracted program services have been reduced by $200,000, which will result in a reduction in case management services, specialized recruitments, job fairs, etc.

Additionally, work2future will submit a transfer request to EDD from ARRA Dislocated Worker funding to ARRA Adult funding in the amount of $466,785. Based on a waiver submitted by the EDD and approved by DOL, WIBs may transfer up to 30% of the ARRA Adult and Dislocated Worker funds between the two programs. The 30% transfer limit for ARRA funds is applicable for the life of the funds. The transfer will allow work2future to serve both Adult and Dislocated Workers in a seamless manner.

Moreover, work2future will continue to apply for available state and federal special assistance and competitive grants. Funds received will be utilized to assist with large layoffs and to promote targeted training programs in career sectors such as "clean and green" and health care. Applications currently under development include National Emergency Grants for (1) displaced NUMMI employees, (2)

anticipated public sector layoffs, and (3) On-the-Job Training (OJT) for Long-Term Dislocated Workers to provide re-employment opportunities to assist both businesses and job seekers.

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