



INFORMATIONAL MEETING

September 3, 2009 • 1 PM – 2 PM

Members Present: Mike Fleming, Robert Giesen, Jack Fowler, Eddie Estes, Marty Kennedy, Debra Zehr
Guests Present: Scott Anglemyer, Trent Howerton, and Joe Adams (Area III);
Renea Cavaness (Area V)
Staff Present: Armand Corpolongo, Mike Beene, David Brennan, Candace Molzhon, Shelly Jones, Christine Bohannon, Susan Weidenbach, Shelly McDonald, Caleb Asher, Keith Meyers, Cindy Nau, Ann Duffy

The meeting was called to order by Mike Fleming who explained the purpose of the informational meeting. It serves to educate new members refresh experienced members. An orientation packet will be developed by Commerce staff for our new members to further assist in learning their roles and responsibilities as state board members. Mike turned the meeting over to Christine Bohannon to discuss changes in the state board's quarterly report.

Revision of Quarterly Reports

Christine reported the Department of Commerce and America's Job Link Alliance (AJLA) team met with each local area separately the week of August 17th. The sessions went very well and great input was gathered. Both the Performance and Expenditure reports were reviewed and the results follow:

Performance Report

Everyone agreed on where the information for the quarterly report is pulled (**KANSASWORKS.com**) and on the timing of when the information will be pulled.

The plan is to have this report fully automated and AJLA is working to make this happen. It will not be fully automated until January 2010, but Commerce/AJLA staff will pull the needed information for the October KWSB meeting. Since October will be the first time the report is done in this manner, Commerce staff will share the completed report with the local areas in advance of the meeting to ensure accuracy.

Expenditure Report

Christine stated there has been a lot of discussion and collaboration on this report. A second draft was sent to the local areas yesterday with changes based on all of the feedback from the first version. Comments are due by Friday, September 4. Further revisions will be made based on that feedback and a final copy created.

This report cannot be automated as originally hoped, but there does seem to be consensus on timing and information to be included in the report.

Timeframes for the Performance and Expenditure reports will be identical and a plan is in place to accommodate the local areas when their fiscal information is received later than they anticipated.

Timeline

The timeline for the October 28th **KANSASWORKS** State Board meeting is as follows:

- Pull performance numbers on October 5 (will be quarter end numbers) and complete Performance report; share with locals
- All worksheets within quarterly report are to be completed for the time period of July 1 – Sep 30
- When local areas receive their financial reports, the Expenditure report is to be completed for the July 1 – Sep 30 timeframe (this will match the quarter end numbers pulled for the performance report)
- If an area is unable to complete the Expenditure report in time to get it in the **KANSASWORKS** state board agenda packet (due by Oct 16/19), the Expenditure report may be submitted by the 26th and be part of the addendum packet handed out at the meeting on the 28th. All other worksheets of the quarterly report should be submitted in time to make the agenda packet.

NOTE: The reporting time for all data pulled will be quarter end making everything comparable.

Local Area Performance

Armand Corpolongo discussed WIA funding and performance in response to several questions asked by state board members.

Attachment A – WIA Allocation Formula

The various questions that were asked included:

- The allocation of WIA funds and how the funds are distributed.
- What is included in the WIA definition of Administrative costs?
- What are the critical compliance issues regarding the expenditure of WIA funds?
- How are performance incentives and sanctions handled in WIA and finally?
- What options exist for either rewarding or sanctioning an area for a performance goal?

There are five handouts that will be covered in responding to these questions:

- Attachment A deals with WIA formula funds and how they are allocated;
- Attachment B deals with the WIA definition of Administrative costs;
- Attachment C deals with how WIA defines eligibility for incentive grants and under what circumstances a sanction may be imposed on a local area for poor performance;
- Attachment D sets out the current policy on performance awards and sanctions as they apply to the Kansas program and finally;
- Attachment E reflects the current status of Area III's missed performance measures for 08.

The first handout deals with how WIA funds are allocated. The critical points to remember are:

1. The allocation formula is set by statute. States are required to allocate at least 85% of the Adult and Youth funds to the local areas in accordance with the formula. Attachment A identifies the data elements that make up the formula. From the pot of available Adult and Youth funds, a maximum of 15% may be held back by the state for statewide programs and state responsibilities under the Act.

2. Under the Dislocated Worker funding stream, a minimum of 60% of available funds must be allocated, again by formula, to the local areas. From the remaining 40% of Dislocated Worker funds, a maximum 15% may be withheld by the state again for state level responsibilities. The remaining 25% of Dislocated Worker funds may be withheld to provide Rapid Response services for individuals impacted by mass layoffs or plant closings. These percentages are listed on page 1 of Attachment A under each individual funding stream.
3. From the amounts allocated to the local areas, a maximum of 10% may be used for administration. From the funds reserved at the state level a maximum of 5% is available for administration. Within each of the three major fund streams there are two expenditure categories that are monitored for compliance purposes: administration and program. Administration includes all of those items included in Attachment B of the packet. For compliance purposes administrative expenditures are monitored to ensure administrative expenses do not exceed the total funds budgeted for administration as well as the 10% cap on administration. Expenditures that are not administrative in nature fall into the category of program expenses. On the program expenditure side the only compliance requirement is that 30% of available youth funds be spent on Out-of-School Youth. There are no regulatory compliance requirements established in WIA for how much program funds need to be spent directly on client training, however, it is possible for the governor or state board to establish such requirements in state policy as well as including that as part of the performance standards system.
4. One final key point on WIA funding involves the hold-harmless provisions in the law. The Adult and Youth fund streams have a 90% hold harmless clause that guarantees a local area will receive no less than 90% of their prior year's relative share. This is not to be confused with a guaranteed 90% of their prior year's funding level. For example, if WIA funding for Kansas drops, which it has over the last two years, an area's funding level could still be significantly less even though they received 90% of their prior year's relative share. It is also important to note the Dislocated Worker fund stream does not include a hold harmless provision, so it is possible relative shares and funding will fluctuate significantly from one year to the next depending only on how the formula data changes from one year to the next. The WIA funding formula also contains a cap for the Adult and Youth programs that prevent an area from getting 130% or more of its prior year's relative share.

Attachment B – Administrative Costs

Administrative activities covered under Attachment B are the activities and functions that are subject to the 10% administrative cost limitation. These items are self explanatory.

Armand pointed out, that at the time the WIA legislation was enacted a decade ago, there was a great deal of discussion and concern on whether these programs were going to be able to function with a 10% cap on administration given the many administrative burdens and complexities in administering the WIA program. In response to these concerns Congress allowed a number of activities that would normally have been categorized as administrative in nature to be counted towards program costs. For

example, such things as monitoring, reporting, certain equipment and system expenses, performance system tracking and many other types of activities that were defined in previous workforce legislation as administrative were incorporated into WIA as a program expense. This permitted a great deal of leverage and flexibility to local program operators in controlling their administrative costs. With that brief overview of administration let's take a few minutes and go over the performance standards system.

Attachment C – Federal Incentives and Sanctions

The performance and sanction system is well defined in WIA law and regulation as you will note in Attachment C dealing with WIA Incentives and Sanctions for Local Performance. The law establishes the basic parameters for both rewarding and sanctioning a local area for its performance. An important point to note on the performance side is that the state must reserve a portion of its statewide funds for incentive grants that reward exemplary local performance. The amounts and performance levels are determined by the governor. While awards must be given for exemplary performance on the federal standards, so too can the governor both establish and reward local areas for state established standards. You will note that Kansas has in fact established three state standards in addition to the federally established measures.

With regard to sanctions, if an area fails a measure for one year the governor must provide technical assistance. The technical assistance must be provided by the governor with funds reserved for statewide activities or upon request by the governor from funds made available by the Secretary of Labor.

The term governor is used in a general way to mean an entity such as the state board acting on behalf of the governor or the state agency designed by the governor to carry out the purposes of the Act, which in Kansas, would be the Department of Commerce.

If a local area fails to meet the same performance measure for two consecutive program years, the governor must take corrective action. The corrective actions may include the development of a reorganization plan under which the governor:

- requires the appointment and certification of a new local board
- prohibits the use of particular service providers or one-stop partners that have been identified as achieving poor levels of performance; or
- requires other appropriate measures designed to improve the performance of the local area.

Attachment D - State Incentives and Sanctions

Kansas' system for incentive awards and sanctions are defined by state policy (3-29-00). It is included in your packet as Attachment D. This policy was reviewed and approved by the state board in 2007 for implementation in Program Years 2008 and 2009.

Key points in the policy are as follows:

1. The state policy mirrors the federal criteria established for incentives and sanctions that apply to states that either exceed or fail their performance standards.
2. The state policy reflects the Kansas waiver allowing the state to use the nine WIA Common measures as opposed to the initial 17 measures established under WIA.

3. In addition to the nine common measures, the state board established three additional state measures. These three measures, which are on the last page of the policy, include:
 - 1) An increase over the prior year in the total number of new client enrollments.
 - 2) An increase over the prior year in the number of trainees enrolled in Critical Industries;
 - 3) An increase over the prior year in the percentage of individuals placed in Critical Industries.

A total of \$200,000 of state WIA funds was reserved in PY07 for incentive awards with \$150,000 of this amount to be applied equally to the 12 measures. The remaining \$50,000 was for rewarding local areas that were determined to have achieved exemplary performance. The amounts reserved are set by the governor and may vary depending on funding circumstances. Exemplary performance was defined as exceeded the measure by 110% or more. No sanctions were to be applied to the local areas for failure to meet the state measures given these were new and would require time to implement in each of the areas.

Sanctions are applied to a local area that fails to meet one or more measures for two consecutive years. "Failure to meet" is defined in WIA as falling below 80% of an established standard. As noted earlier, the failure to meet a measure for two consecutive years requires the governor to take action, which may include any number of options including the appointment and certification of a new local board or prohibiting the use of a particular service provider or one-stop partner if it is related to poor performance.

In addition to programmatic sanctions, a financial sanction may also be applied to an area that failed to meet a performance category. This financial sanction is described on page 2 of the policy and mirrors the federal policy on state sanctions for those states that fail to meet acceptable performance in the adult, youth or dislocated worker categories. The financial sanction is based on the number of categories failed. A maximum 3% may be withheld depending on whether the area failed all three categories. An additional 1% may be withheld if an area failed to submit accurate and timely reports. The maximum an area could lose would be 4% of its available program year funding.

Attachment E – Local Area III Performance

A review of last year's performance (PY 08) indicates that Local Area III may be subject to sanctions for having missed the *Literacy and Numeracy* goals for two consecutive years. In addition they appear at this point to be missing two other goals for the prior year: *Placement in Employment or Education* and *Attainment of a Degree or Certificate*. Reference to these measures may be found in Attachment E. Final performance data for the area, however, will not be available until October 1st.

In conclusion performance rewards and sanctions may be an area the board wishes to review on a regular basis as a means of ensuring it is carrying out its oversight responsibilities under the law. It also provides an opportunity to review existing measures and sanctions as a way to ensure they are aligned with the strategic workforce goals established for the state.

The next informational meeting will be at the end of September where the board will be educated on the new quarterly reports—how to review and interpret results.

The next KWSB meeting will be held on October 28, 2009. The meeting adjourned at 1:37 p.m.