

# Workforce Development Training Fund

## Status Update - June 2019

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## Executive Summary

This report focuses on the grant review period spanning from January 1, 2018 through June 30, 2019. There have been many improvements in reporting, efficiency, and in the number and diversity of new contracts. There's been a reversal in the declining number of annual contracts dating back to 2015 with a greater inclusion of Industry Sector grants and partnerships with postsecondary institutions. Reporting and data collection has dramatically improved, with recent contracts providing more information that will prove valuable in gaining insights into training activities.

## Introduction

The Workforce Development Council (WDC) underwent major changes in its administration following the Governor's Executive Order signed on October 25, 2017. This included a significant change to the organizational model that was previously affiliated with the Idaho Department of Labor (IDOL), to provide the council with greater independence to conduct its affairs. The change provided the ability to be industry-driven, have a dedicated staff and be independently accountable. The new WDC was charged specifically with maximizing the effectiveness of the Workforce Development Training Fund (WDTF).

The WDTF is the state's most flexible financial resource for providing workforce training. Established in 1996, the fund's initial use was to incentivize new and existing employers to relocate or expand in Idaho. However, more recently, the fund has been used to reimburse qualified employers for the cost of training new and incumbent workers. This use of the funds has promoted training partnerships between businesses and educational institutions to develop industry-specific skills training to help build a talent pipeline and find solutions to workforce challenges.

As a result of changes made to the WDC, changes were also made in data collection, grant scoring, and reporting methods. While the WDC was effectively separated as a result of the Governor's executive order, they were not fiscally separated until July 1, 2018. At that point, different reporting methodology was embraced and additional information collected. Grant scoring practices have been updated to allow for improved transparency and balanced scoring. The primary focus of this review is to highlight the progress and areas for improvement. Specific details on changes can be found in Appendix A.

## Key Findings

- Nine new contracts have begun in 2019 and 22 since the administrative changes, reversing the decline in the number of annual contracts dating back to 2015
- Industry Sector grant participants have started to reflect a greater share of overall trainees
- An average 1,538 employees participated in training and remained active during each quarter following the start of the 2019 State Fiscal year, with over 6,000 participants trained
- Only 16 percent of trainees received exclusively external vendor training
- The percentage of records reporting required fields has improved significantly following the transition period, with After-Transition Employer grant records showing improvements in most fields

## Transition & Reporting

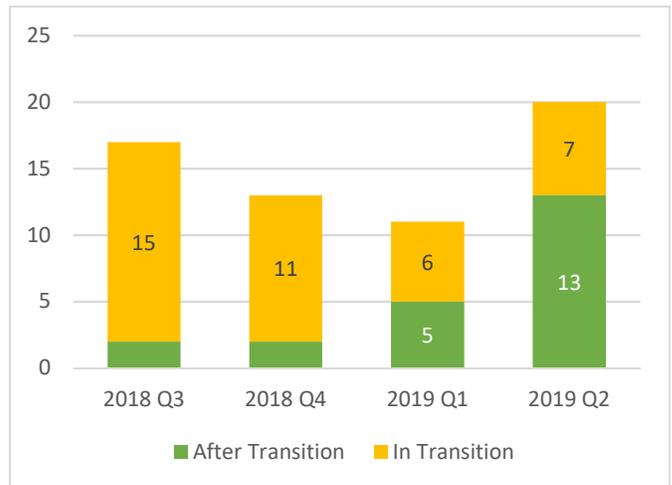
Considering the administrative changes in the WDC, this review of contracts funded by the WDTF is focused on three main comparison groups: Before-Transition, In-Transition, and After-Transition. Before-Transition contracts include those ending prior to the effective date of January 1, 2018; After-Transition include those contracts beginning after the effective date; and In-Transition records include all those that bridge the gap starting before and ending after the effective date. Additionally, this review will primarily consider the contracts that submitted requests for reimbursement, as training data is only available for contracts having submitted at least one reimbursement request. There are a few contracts that have been approved but have yet to submit a reimbursement request.

**Figure 1.** Timeline of Grant Transition Classifications



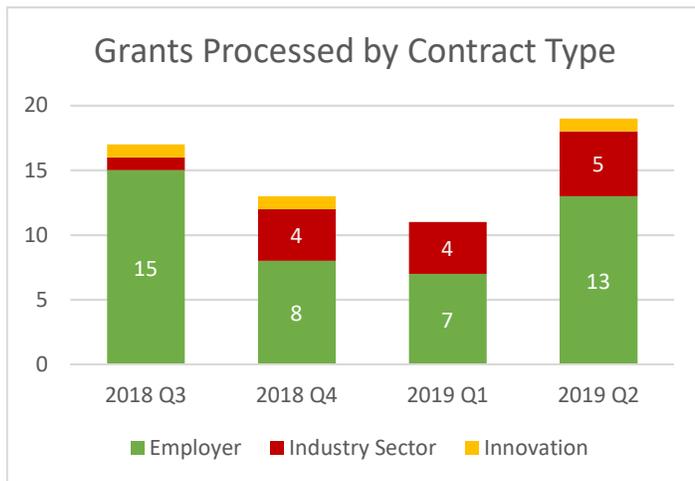
The current status of trainees within a contract is tracked by the date the reimbursement request was processed, which is lagged one quarter following the reporting period. On occasion, however, employers submit multiple requests spanning multiple reporting periods or are delayed in their submission. As this method of tracking the number of trainees was embraced following the fiscal separation of WDC on July 1<sup>st</sup>, 2018, quarterly data prior to third quarter of 2018 is not available.

**Figure 2.** Number of Submitted Reimbursement Requests by Quarter and Transition Type



During the transition period, every effort was made to compile data from both Before-Transition and In-Transition contracts with reimbursement requests prior to the transition date. The data was reprocessed and uploaded to the current database for record keeping and analysis. Most employer grants were recovered. However, more than 70 percent of Innovation grants and 30 percent of the Industry Sector grants were not recovered and not considered in this review. Additionally, many of the tracked variables now collected were missing in older files, because of differences in reporting methods that have changed, often within the same contract. However, moving forward all After-Transition grants utilize the new reporting methods with all variables now being tracked.

**Figure 3.** Number of Submitted Reimbursement Requests by Quarter and Grant Type



With this review considering the period following the effective date through June 30, 2019, there have been many improvements in reporting and response rates. Seventy-nine percent of In-Transition Employer grants have now closed with 22 new After-Transition contracts following the administrative changes. This includes eleven new Employer grants, six Industry Sector grants and five Innovation grants, with the number of Industry Sector grants now comprising a greater share of total grants (See Figures 2 & 3).

Several new factors are now included on the reimbursement request form that is intended

to collect data that will provide important insight in future analyses. Due to varying requirements for the different types of grants, separate forms are provided for Employer grants and Industry Sector / Innovation grants. Additional factors for Employer grants include employment status, employee type (incumbent or new hire), occupation, current wage, credential type and training type (internal or external). As Industry Sector and Innovation grants have participants that can either be employed or a non-worker throughout training, detailed occupational information is not collected.

**Table 1.** Overall Response Rates for Employer Grants

	Before-Transition	In-Transition	After-Transition
Current Wage	0%	73%	85%
Employee Status	0%	76%	51%
Employee Type	0%	39%	62%
Hire Date	100%	95%	100%
Occupation	0%	73%	86%
Training Type	0%	53%	86%
Credential Type	0%	16%	64%
Training Start Date	100%	100%	100%
Training End Date †	100%	54%	65%

*† Low response rates for the most recent submissions are a result of open contracts that are still in training*

With many of the In-Transition contracts having reimbursement requests spanning both old and new reporting methods, overall response rates for many of the new factors appear to have fallen short. Recent submissions do show an improvement. Employer grants had significant improvements in percent response rate for After-Transition grants with the exception of employee status. (See Table 1). One reason employee status or other fields may have a lower response rates (i.e. Credential Type) is a matter of semantics, in which non-response represents either a non-terminated employee or a lack of certification.

Despite the improved reporting there are still some inconsistencies in the reported data. One example, there is ambiguity in terms of what should be reported for training start / end date. Some employers input dates for specific training activities where others appear to submit the dates for a particular

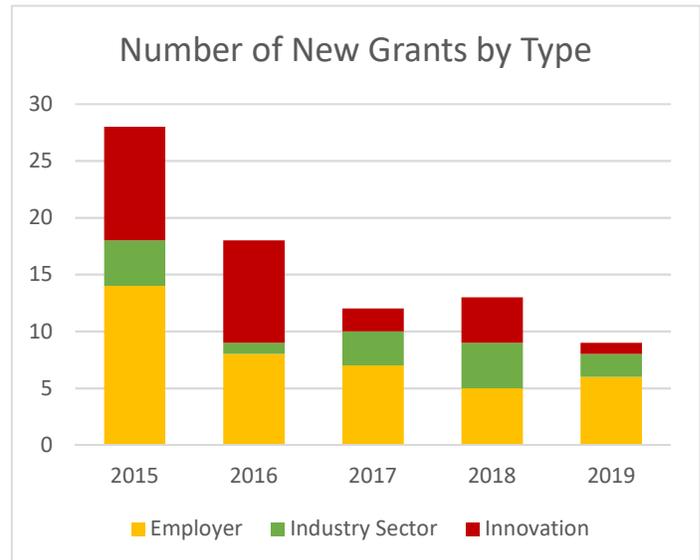
reporting period. Part of this may be a result of training dates spanning longer than any one reporting period. In the case of non-response, the contract start date is used in lieu of training start date.

## Contract Costs

Dating back to 2015, there has been a decline in the number of new contracts beginning each year, as shown in Figure 4. In the first two fiscal quarters of 2019 alone, seven new contracts have been awarded at an average award of \$276,000. Employer grants are generally awarded the greatest funding; however, they also tend to have the most participants, resulting in lower costs per trainee.

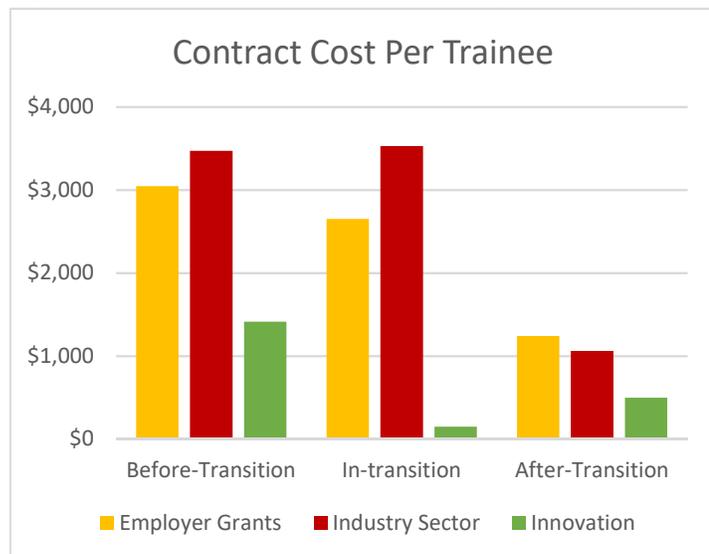
Due to the dynamic nature of the training programs, per trainee costs are evaluated six months following contract end. In this review, final costs per trainee were only considered for Before-Transition grants, and this was compared to the anticipated cost per trainee for In-Transition and After-Transition, as there are several that remain active. Since 2015, for contracts ending prior to January 1, 2018, the average cost of Industry Sector grants were the most expensive at \$3,529 per trainee. Employer grants were less at \$2,651 and the single Innovation grant with data during that time-frame the least expensive at \$149 per participant. The comparison of Before-Transition costs to the anticipated costs of In-

**Figure 4.** Number of Contracts by Type of Grant and Contract Start Date



Transition and After-Transition grants are shown in Figure 5.

**Figure 5.** Comparison of Costs per Trainee by Contract Type



The anticipated cost per trainee of After-Transition grants is less than half that of both Before-Transition and In-Transition grants for Employer and Industry Sector grants types. Employer grants are now estimated to cost an average of \$1,240 per trainee, compared to more than \$3,000 prior to the administrative changes. Additionally, with Industry Sector grants typically being the most expensive, recent data shows costs have been reduced to just over \$1,000 per trainee. With the maximized effectiveness of the WDTF, more employers and industries can be reached and impacted, as is distinguished by the more than 6,000 participants trained between July 1, 2018 and June 30, 2019.

† Before-Transition contracts consider the final contract cost per trainee; In- and After-Transition Grants consider the anticipated cost

## Trainees

The number of current trainees for Employer grants is tracked by the count of distinct social security numbers (SSNs) that are active employees as reported on processed reimbursement requests over a given period of time. As Industry Sector and Innovation grants include both incumbent employees as well as non-employees, employee status is not collected and all participants are considered. Methodology for tracking whether these grant participants become employed and in which sector are currently in development.

Records processed for Employer grants tend to include both recent contracts and those spanning back a few years. Some contracts take several quarters before training begins and / or submitting a reimbursement request. Table 2 provides a snapshot into how many trainees there are for a given reporting period, typically one quarter prior to the processed date.

The majority of processed records are for Employer grants, but Industry Sector grants are beginning to gain traction representing a larger share of active grants. In Table 2, the number of trainee's that belong to Industry Sector grants processed in 2019 Q2 comprises 15 percent of all processed records, more than previous quarters. Innovation grants continue to represent the minority of all grants processed.

**Table 2.** Number of Trainees by Reporting Period and Contract Type (for In-Transition and After-Transition grants)

Contract Type	Reimbursement Processed Quarter			
	2018		2019	
	Q3	Q4	Q1	Q2
Employer	1,960	1,721	1,011	962
Industry Sector	41	163	75	172
Innovation	49	3	0	15
Total	2,050	1,887	1,084	1,142

**Table 3.** Average Number of Trainees

Type of Grant	Trainees
Employer	186
Industry Sector	37
Innovation	5

Employer grants tend to train the greatest number of employees per contract. Considering all contracts having submitted reimbursements to date, Table 3 displays the average number of trainees per grant, with Employer grants on average training 5 times the number of participants trained through Industry Sector grants.

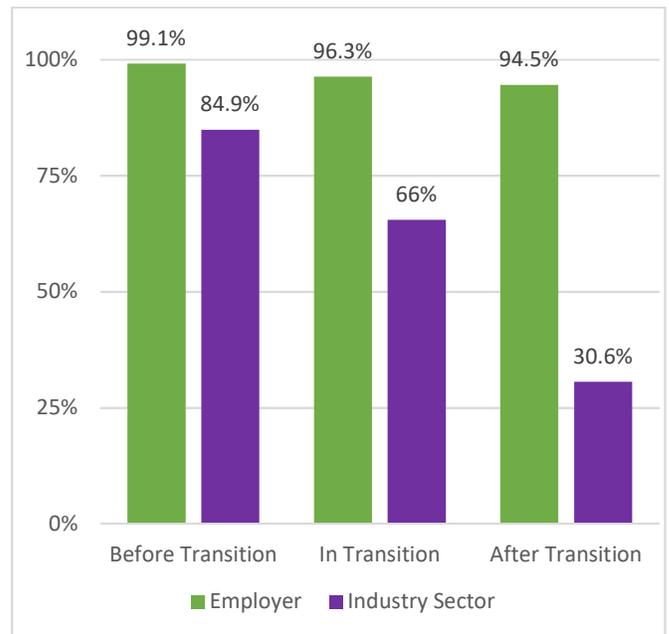
## Wage-Matching

Wage-matching is used to validate that employees are receiving wages from the employer claiming reimbursement for their training. Employer grant records from before the transition resulted in a 99 percent rate of wage-matching for trainees. Reasons some trainees do not wage-match are either that they have not been employed for long enough for wage records to appear or their SSN is incorrect. The percent of records that wage-matched for In-Transition (96%) and After-Transition (95%) are slightly lower, a reflection of recent submissions having new-hires whose tax records have yet to appear. It's

important to note that while reimbursements are not made for employees that do not wage-match, they are re-run the following quarter, and if matched, they are reimbursed at that time.

Before the transition, wage-matching for Industry Sector and Innovation grants was achieved by matching trainee wages to any of the employers in the consortium outlined in the contract. However, because participants of Industry Sector grants can either be employed or non-workers, reimbursements for this type of grant are now processed against all Idaho employers. While wage-matching is used to determine if a participant is employed at a given employer, changes in the wages following training is also tracked. A comprehensive review of wage-changes and employment following training amongst closed contracts will be considered in the 2020 evaluation.

**Figure 6.** Percent of Records that Wage-Match



## Employer Grants

### *Employment*

Additional insight into the historic composition of contracts and employment patterns and how that changes is found in the open and closed grant data. Employment status is one factor that highlights the improvements made in reporting following the administrative changes. Table 4 shows how the percentage of records missing employment status is improving over time, with 11 percent of records missing that information in the most recent reporting period compared to 68 percent in the third quarter of 2018.

**Table 4.** Employee Status by Processed Quarter

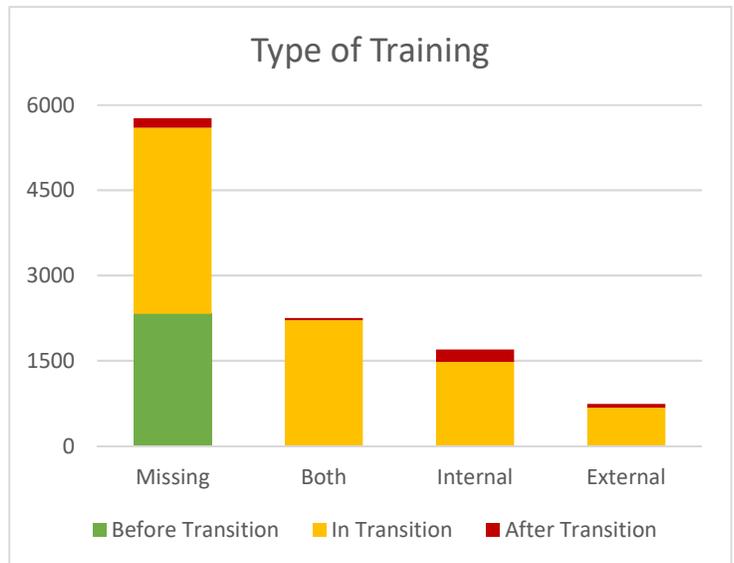
Employee Status	2018		2019	
	Q3	Q4	Q1	Q2
Active	71%	68%	42%	93%
Involuntary		1.0%	6.6%	0.3%
Voluntary		3.4%	52%	3.6%
Terminated	28%	26%		2.9%
Leave of Absence	1.4%	1.2%		
Missing	68%	47%	0%	11%

While the majority of participants in Employer grants consistently remain active throughout the reporting period, the first quarter of 2019 stands out as having a surprisingly low level of active employees at 42 percent. This is primarily the result of a single large employer having its first submission and is not necessarily representative of typical employee behavior. There has been improvement in transitioning from reporting an undesignated termination to either voluntary or involuntary.

## Training

Employee training type is another factor that is required for reporting purposes, with improvements in response rates in both In-Transition and After-Transition grants. As shown in Figure 7, all Before-Transition records are missing, as are 43 percent of In-Transition records and 34 percent of After-Transition records. Depending on the contract and training plan, employees have one or more trainings. Training type classifies whether this is provided by the employer (internal) or an external vendor. Non-missing records indicate that a majority, 84 percent, of trainees receive internal training or a combination of internal / external training, whereas only 16 percent receive training provided by an external vendor.

**Figure 7.** Type of Training by Transition Period



## Conclusion

Considering the administrative changes having occurred in the WDC to bring greater independence and a dedicated staff, there have been several notable areas of improvement. The number of contracts signed annually has reversed the declining trend seen dating back to 2015. Industry Sector grants are now contributing a greater share of trainees, with six new After-Transition contracts through June 30<sup>th</sup>, 2019.

The number of participants in training activities that remained active exceeded 6,000 since January 1, 2018, with an average of 1,538 unique trainees each quarter. The vast majority of these are through Employer grants, with an average 186 trainees per contract. Industry Sector and Innovation grants have a much lower average number per contract, 37 and 5 trainees, respectively.

In 2019, over 2.5 million dollars has been awarded to the seven new contracts, averaging \$276,000 per contract. Considering all the Before-Transition contracts in this review, Innovation grants had the lowest cost per trainee at \$1,414, with Employer and Industry Sector grants higher, at \$3,047 and \$3,471 per trainee, respectively. Following the administrative changes, all grants have an anticipated cost per trainee of less than half that of Before-Transition grants.

Reporting has shown great strides when it comes to the consistency and quality of data reported. All of the After-Transition contracts have improved reporting rates of requested information with the exception of Employee Status – one of a few variables which may have ambiguous data reported. In-Transition contracts that are still open sometimes use older reporting forms and as such have missing fields. With 79 percent of In-Transition grants having closed to date, reporting will continue to improve as the transition concludes.

Overall, the effects observed as a result of administrative changes seen following January 1<sup>st</sup>, 2018 remain positive, with improvements seen across the board, including improved reporting, more contracts and greater diversity, improved efficiency and better data collection, providing the information needed to gain a valuable understanding of employers and trainees in future analyses.

## Appendix A

This appendix outlines in detail specific changes and recommendations as noted by the Workforce Development Task Force to be effective July 1, 2018, as well as changes in the WDTF scoring matrix for awarding grants.

### *Administrative & Policy Recommendations*

- Transition the WDC organizational model such that it is industry-driven, can hire dedicated staff and coordinate efforts amongst state agencies, and remain independently accountable.
- Ensure the majority of the council is comprised of industry members
- Establish a sustainable funding mechanism for the Workforce Development Training Fund

### *Changes in the WDTF scoring matrix*

- The employer tax rate class metric was removed in order improve scoring transparency.
- Average wages were replaced with a metric that measures the relationship between average wages from the employer and the average wages from the county where it resides.
  - This new metric is intended to balance scoring of employers that have different local economies.
- Wages and Education were split to allow each metric to exert greater independent influence on the final grant score.
- Weights and total available metric points were adjusted accordingly.
- Methodology for scoring education adjusted as applicants are now only required to supply the number of trainees receiving a particular training activity.
  - The new methodology includes a weighted average of the number of participants in a given training classification, relative to the total number of participants in all training activities, as some participants attend more than one training activity.