Governance of Workforce Development Services

SUMMARY

Authority to set policy and make spending decisions for workforce development services is unclear and diffuse, which has weakened accountability and led to difficulties in administering services. For instance, laws and regulations are not clear on who has authority to decide whether a workforce center should remain open. We believe the Legislature should clarify in law that the Department of Employment and Economic Development (DEED) is responsible for setting minimum statewide standards to define workforce centers, including the services they must offer, but that local workforce councils have authority for siting, opening, and closing workforce centers. No single agency has full funding authority for workforce development spending, leaving no agency with complete information on, or accountability for, overall spending. We recommend that the Legislature direct each of the state and local entities required to provide workforce development services to more fully exchange annual funding and spending information. Furthermore, the Legislature should require DEED and the Minnesota State Colleges and Universities system to improve local coordination between workforce service areas and postsecondary vocational education institutions. Local workforce councils should work with adult-basic education organizations to improve coordination, and DEED should facilitate this by developing guidance jointly with the Department of Education and the Governor’s Workforce Development Council. Local workforce councils should coordinate their work with state and local economic development strategies, to the extent they are not already doing so, and DEED and local service areas should help determine what is needed to do this.

Federal and state laws determine much of the governance structure for workforce development services but leave some issues in flux. In this chapter, the term “workforce development service” is used broadly to include all of the numerous programs required by federal law to participate through the “one-stop delivery system.” This chapter addresses the following questions:

- How clear is the authority for oversight and setting policies for workforce development services?
- How clear is the control over spending on workforce development services?
• How well are local workforce councils meeting statutory obligations regarding their functions?

In analyzing these questions, we researched federal laws and state statutes. We interviewed personnel in the Department of Employment and Economic Development and the chair and staff of the Governor’s Workforce Development Council. In each of the 16 workforce service areas, we interviewed local workforce council chairs, workforce service area directors, and many managers of local workforce development programs. We spoke with representatives of Minnesota’s State Colleges and Universities and the Minnesota Department of Education. We surveyed 343 members of local workforce councils and received 282 completed surveys for a response rate of 82 percent. We interviewed county commissioners in four counties located in different parts of the state. In addition, we reviewed in detail the revenues and expenditures for two service areas and surveyed community-based service providers in one area for information on their administration and program costs.

POLICYMAKING AND SPENDING AUTHORITY

As described in Chapter 1, the Workforce Investment Act (WIA) requires numerous workforce development services to be delivered in a one-stop delivery system. Because multiple agencies and levels of government are involved in workforce development services, we looked at how clearly the law assigns authority for the services. We found that:

• Authority under federal law to set policy and make spending decisions for workforce development services is unclear and diffuse, which has led to difficulties in administering services.

The structure for overseeing and delivering workforce development services is dictated to a large extent by federal law. Yet, the structure in Minnesota has problems because federal law assigns authority for certain functions to more than one entity, and for other functions, the law does not specify who should have responsibility. Despite the federal law’s flaws, for the purposes of this report, we acknowledge the law’s primacy, and our discussion assumes the law’s requirements are a given that we cannot unilaterally alter.

Federal law ascribes to local workforce councils oversight of the “one-stop delivery system in the local area.” ¹ It charges workforce councils with setting policies for the local area’s workforce development services. ² Further, the law requires local workforce councils to prepare five-year plans and describe in them how the local council will ensure that service providers meet the employment needs of local employers and job seekers. ³ State statutes reinforce this by specifying that local councils are responsible for policy guidance and oversight of

² Workforce Investment Act, §117(a).
³ Workforce Investment Act, §118(b)(2)(A).
Local workforce councils are required to ensure unified service delivery and nonduplication of services within their areas.

At the same time, federal law requires the state to assure that its workforce development activities are coordinated and avoid duplication. DEED along with the Governor’s Workforce Development Council must develop a five-year plan with a strategy for the state’s workforce development services, even though other state entities are responsible for some of those services, as is described more fully later in this chapter.

Despite the statutory responsibilities at the state and local levels, laws are unclear about authority for certain decisions, and multiple entities have direct authority for planning, administering, and monitoring the services. Unclear authority has created inefficiencies for those delivering services. Diffuse authority weakens accountability and raises questions about coordination among the multiple entities required to deliver workforce development services.

### Inefficiencies in Administering Services

Unclear authority has created difficulties in administering workforce development services. For example, we found that:

- Laws and regulations are not clear on who has authority to decide whether a workforce center should remain open, weakening accountability and creating some inefficiencies in administering services.

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6 Workforce Investment Act, §112(b)(8)(A). Federal law says the state must assure coordination of all the programs required to be part of the state’s workforce investment activities. Table 1.1 in Chapter 1 lists these programs.
7 Service providers required to participate in the one-stop system are to abide both by WIA provisions and by the requirements of the federal law that authorizes their program. Workforce Investment Act, §121(b)(1)(A)(ii).
Budget reductions have forced the state to remove state staff from some workforce centers.

In the past, the state has held de facto control over workforce centers for three reasons. First, federal law assigns to the state responsibility for coordinating the workforce development system statewide, as noted above. Second, the state administered the Job Service Program, which has been integral to many workforce centers because its employees usually staffed the centers’ resource rooms. Job Service staff formed the “backbone” of services available to those people and businesses that wanted information or access to the Job Bank and similar services. Third, the state typically held the leases for the buildings in which the centers were housed, thereby controlling whether a site stayed open and in what location.

Recent budget reductions, however, have created problems for both the state and local workforce service areas. Consecutive years of federal budget reductions for state-run programs have forced DEED to remove Job Service and other state staff from certain workforce centers. Although Job Service staff remain in 42 of the 50 workforce centers (as of January 2005), DEED staff anticipate additional reductions in the future. The state still holds the majority of building leases, but DEED representatives indicated that the department no longer expects to renew leases as they expire.

From DEED’s perspective, unclear authority over workforce centers weakens accountability. In workforce centers staffed primarily by local employees, the state loses some control over how services are delivered, even though it continues to monitor programs and spending. Specifically, the state cannot hold accountable those staff who are employed by local governments or nonprofit agencies. Should customers experience problems at a center operated largely by local staff, the department worries that it would have little ability to enforce changes. In addition, the department’s ability to ensure consistency throughout the state’s network of workforce centers is weakened. Meeting its statewide obligation to coordinate and avoid duplication among the various programs provided through workforce centers, as required by law, becomes more difficult.

At the local level, unclear authority over the closing of workforce centers has created inefficiencies. Instead of focusing on providing services, local service providers faced with center closures have diverted time and resources to preserving the centers. Local directors from three service areas told us that when they and their local workforce councils learned of reductions to state staff in their centers, they were put into a position of either letting a center close, reducing its services, or assuming responsibility for maintaining it. As a result, directors in these areas spent time with workforce councils and local elected officials deliberating whether and how to keep open the centers, while dropping existing plans for staffing and services. In addition, some job counselors had to reduce their caseloads to assume additional intake and assessment duties when resources for those duties were used for resource rooms that were formerly staffed by state personnel.

8 WIA does not provide funds specifically for the resource rooms.


10 Workforce Investment Act, §112(b)(8)(A).
We also found that:

- **Unclear authority has led to inefficient use of time for local workforce councils and employees of state-run programs.**

Chairs of many local workforce councils described to us their frustrations over unclear authority. In their view, this has prevented councils from spending their time productively. Most felt the councils were not sufficiently involved in setting policies and direction for workforce development services. Several chairs said employees of the state-run services felt little if any accountability to the councils or their direction. If a local workforce council became dissatisfied with the availability or quality of services provided by state employees, it had no clear authority to make changes. One workforce council chair described how the council’s efforts to relocate a center were stymied for over two-and-a-half years due to struggles between state and local officials. In another case, a council chair said that a workforce center had two receptionists on duty—one a state employee and the other a local employee—because of unresolved issues over who was in charge.

At the same time, managers from several of the state-run workforce programs told us that the workforce councils did not represent them and their services. These staff said they make reports to the councils, but council members ask few questions and show little genuine interest. They do not feel they have a genuine role in local decisionmaking, even though local decisions affect their operations. Furthermore, some state officials who were dissatisfied with what they perceived as inadequate performance of certain workforce councils felt they could do little to make substantial changes.

The state’s WIA Unified Plan defines workforce centers according to certain programs that are required to provide services there. In practice, however, several of Minnesota's workforce centers do not fit this definition because they no longer have state staff providing certain programs. Thus, we concluded that:

- **The issue of defining the services a workforce center must offer remains unresolved.**

Previous attempts to clarify questions about authority have failed to produce definitive results. For example, in a March 2004 report, DEED articulated a clear division of responsibilities over center-closure decisions, but the department had not officially adopted the report as of the end of 2004. In another example, the Governor’s Workforce Development Council began a process in 2002 to “credential” workforce centers. Had it continued, the process would have resulted in state-set criteria that all workforce centers would have been required to meet. Although four workforce service areas tested a credentialing template during 2002 and early 2003, the credentialing process was put on hold. Because those most

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directly affected seem unable to resolve key concerns about authority, we think the Legislature must become involved.  

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RECOMMENDATION

The Legislature should clarify in law that DEED is responsible for setting minimum statewide standards to define workforce centers, including the services they must offer, but local workforce councils have authority for siting, opening, and closing workforce centers.

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We acknowledge that this change would resolve only one area where authority for setting policy is unclear. Federal regulations do not automatically allow the state to specify clear control over certain aspects of workforce centers, despite interest in this on the parts of both state and local officials. For example, federal regulations require state employees to provide services funded through Job Service. Local workforce service areas cannot hire or set the terms of employment for state employees who deliver services locally, just as the state cannot do this for local employees. We believe that the law change we recommend on workforce center closures and siting will help, but it will not fully solve the lack of accountability resulting when one level of government employs the staff who work at a center, while a different level of government sets policy. Nonetheless, changing state law as we suggest would resolve the impasse over one authority issue that has generated ongoing problems.

We believe that DEED’s involvement in setting minimum standards for defining workforce centers is required to assure consistency and equity around Minnesota. Without statewide parameters to guide workforce center closures, how service areas define what constitutes a workforce center could easily vary. This could create situations where citizens in one service area do not have access to the minimum level of services available to citizens elsewhere.

DEED should specify standards that workforce centers would be required to meet. At a minimum, the standards should specify the services that workforce centers are to provide. Sites lacking any of the required services could operate under other state-set standards, but they would no longer be called workforce centers. The standards should include those that the state believes all workforce centers should meet. This could include standards such as ensuring that all staff have the necessary technological skills or being open for business a minimum number of hours per week. Statewide standards should also define other delivery options,

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13 A clarification would involve modifying state statutes at Minn. Stat. (2004), §116L.666, subd. 4, which lays out the purpose and duties of local workforce councils.


15 This includes defining the services that could be delivered through referrals to agencies not located on site at the center (such as adult-basic education instruction).

16 Some preliminary standards have already been developed in earlier projects. For instance, work by the Governor’s Workforce Development Council to credential workforce centers produced standards (such as having a current inventory of all workforce services in the community) intended to help workforce centers provide a high quality of service to their customers.
Local workforce councils should have authority to maintain centers, close them, or convert them to other service delivery options.

We believe local workforce councils and their staff should make siting and closure decisions for workforce centers in their area. Federal and state laws established the local councils to set policy for workforce development services in their areas. The councils should set the strategic direction for a workforce service area and determine how the workforce centers fit into that direction. In addition, they have information on the local labor force and understand local job seeker needs. With their private sector representation, they are close to local employers and are attuned to these firms' employment needs. To make informed decisions on workforce centers, the workforce councils need additional information about resources budgeted by the state for their areas, which is addressed later in this chapter.

We considered but rejected other options for assigning authority over center closures, openings, and relocations. The Legislature could vest authority for siting and closure decisions with DEED. This could be justifiable because of DEED's oversight role and because department employees deliver many of the workforce development services. But we believe that local workforce area councils and staff are in a better position than DEED to fully understand local needs and make decisions in the best interests of the businesses and job seekers that will be affected. Alternatively, the Legislature could give unilateral authority for siting, opening, and closure decisions to local councils without permitting DEED to establish parameters. We do not support this option because it could lead to unacceptable inequities in the levels of service available around the state. Furthermore, local workforce councils could not have unfettered authority because they do not control state employees who continue to provide services locally. Additional problems could arise if local service areas made changes that conflicted with labor agreements covering state employees.

17 Workforce Investment Act, §117(a); and Minn. Stat. (2004), §116L.666, subd. 4.
Accountability for Workforce Development Spending

WIA’s enactment helped bring certain service providers together under one roof, but individual programs have retained their own funding sources and allocation formulas. We looked at the funding and spending arrangements for workforce development services and found that:

- No single agency has full funding authority for workforce development spending, leaving no agency with complete information on, or accountability for, overall spending.

Federal law gives to local elected officials responsibility for grants awarded to fund the federal workforce programs for adults, youth, and dislocated workers, and it authorizes local workforce councils to develop budgets for these programs.\(^{18}\) In addition, Minnesota’s local workforce councils typically manage spending for part of Minnesota’s Dislocated Worker Program.

However, local councils have little control over the funds for many workforce development programs. DEED manages spending on Job Service, Vocational Rehabilitation, and State Services for the Blind, among other smaller programs. Counties receive the allocations for MFIP Employment and Training and control spending on it through contracts with workforce centers and other agencies that actually deliver the services.\(^{19}\) The Job Skills Partnership Board manages the portion of Minnesota’s Dislocated Worker Program reserved for “rapid responses” to mass layoffs; the board also controls the grants awarded through the Job Skills Partnership Program. For a number of individual programs, such as the federal Youthbuild Program, the federal government allocates funds directly to individual grant recipients who then control how the dollars are spent. In addition, spending decisions for adult-basic education and postsecondary vocational education, which federal law requires as part of the one-stop delivery system, are made by the state agencies that deliver those services. No single agency is in charge of these different programs as a whole, and accountability problems arise because of the inability to know how public dollars are spent for the services in their entirety.

Spending information is not available for workforce development services as a whole. Because laws divide spending authority among multiple agencies,

- DEED does not know the full amount spent on workforce development services in the state.

DEED does not maintain complete funding or spending information on all the federally required workforce development services because, as described above, other entities have some of the funding authority. In addition, local workforce service areas often receive grants or other funding beyond the federal money DEED allocates to them for adults, youth, and dislocated workers. Local service areas control these additional funds, and the department’s accounting system does


\(^{19}\) In at least one workforce service area, the county has assigned to the workforce council all spending authority for MFIP Employment and Training services.
not record them. The Governor’s Workforce Development Council has in the past reported estimates of the local resources available by workforce service area. The estimates have limited use, however, because they are not done annually, do not include adult-basic education services or vocational education services, and do not consistently provide budgeted dollars and actual expenditures within each area. Further, the local data come from multiple local accounting systems, and the comparability of the data cannot be assured from service area to service area.

Because DEED does not control funding or spending for all programs, it does not have the data to estimate what the state spends in total on workforce development services. Lack of comprehensive data prevents the department from calculating what the state’s return is from its workforce investments. In addition, because no one tracks the full amount allocated for workforce development services in their entirety, the state has little ability to make informed judgments on whether to adjust certain programs’ budgets in favor of others. In 2000 and 2003, the Governor’s Workforce Development Council released inventories of Minnesota’s employment and training programs, which included expenditure and outcome data for many but not all services.

Beyond the problems with incomplete statewide funding and spending information,

- **For the workforce development programs DEED manages, data do not allow analyzing funding by each workforce service area.**

DEED’s funding data for its programs are available by some but not all workforce service areas. For instance, the department organizes data on Job Service funding according to its management structure for Job Service. Because one Job Service manager is in charge of the St. Cloud, Monticello, and Cambridge workforce centers, the funding data are arrayed by those three centers, even though they cross the boundary lines of two workforce service areas. Consequently, when service area directors requested state budget information in 2004, DEED provided the information for Job Service, but its accounting structure prohibited the department from separating the amount for Stearns-Benton Service Area #17, which houses the St. Cloud Workforce Center, from the amount for Central Minnesota Service Area #5, which contains the Monticello and Cambridge centers.

State and local agencies have not routinely shared their budget information with each other, even when it has implications for the other’s services. For the state, this means the department makes budget decisions not knowing whether local resources may be available to supplement services that will otherwise be cut. For the service areas, this means setting local budgets without being aware of how changes planned by the state might affect their area. If local workforce councils are to make informed decisions about workforce centers’ closures, as

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21 Governor’s Workforce Development Council, *Inventory of Publicly-Funded Workforce Development Programs* (St. Paul, January 2003). Most notably, the inventory did not have information on publicly funded higher education, such as MnSCU, in part because of the difficulty in distinguishing funding for education purposes from that for workforce development.
recommended earlier in this chapter, they need additional financial information specific to their service area about programs the state provides.

RECOMMENDATION

*The Legislature should direct each of the state and local entities required to provide workforce development services to more fully exchange annual funding and spending information.*

Short of rewriting the federal Workforce Investment Act to realign budgeting authority, certain actions could offer the opportunity to improve accountability and make informed budget decisions. A legislative requirement may provide a greater degree of certainty that all relevant programs will produce the necessary data. DEED, in conjunction with the Governor’s Workforce Development Council, should estimate total annual spending by collecting compatible data from the various service providers, including MnSCU, adult-basic education programs, and the local workforce service areas. Collecting the pertinent data from the different agencies may present problems. However, even in cases where it is difficult to determine precisely how much is attributable to workforce development per se, we believe that an imperfect estimate is better than none at all. Working together with the others involved, DEED and the Governor’s Council should examine what would be needed to produce an estimate of overall spending.

The department should also exchange comparable budget information with local service areas. At the state level, this would involve changing the structure of DEED’s accounting database to calculate funding for state-run programs by each workforce service area. As part of DEED’s annual review of its accounting structure, the department should make changes to existing accounts to permit this to occur. At the local level, collecting comparable budget data may require additional resources because the service areas do not all use the same accounting systems. DEED, the Governor’s Council, and the Minnesota Workforce Council Association should work together to determine the feasibility of this exchange.

Local Workforce Service Area Spending

DEED does not track funds that local workforce service areas may raise locally, such as revenues from foundations or federal grants, as mentioned above. Nor does DEED track the expenditure of funds when a workforce service area contracts with other service providers to deliver services. To understand the scope of the budgeted services in individual workforce service areas, we used two service areas as test cases, looking at detailed information on their expenditures for the most recently completed fiscal year. Southwest Minnesota Service Area #6 offers federal programs for adults, youth, and dislocated workers through the Southwest Minnesota Private Industry Council, Inc., a nonprofit corporation. In contrast, Minneapolis Service Area #10 relies heavily on contracts with numerous nonprofit and governmental vendors to deliver services. These service areas provided us with data showing spending on their area’s services (with the

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*Any changes to the accounting structure must also accommodate the department’s need to provide data for meeting federal reporting requirements.*
For certain federal programs, local workforce service areas may not spend more than 10 percent of their allocations on administration costs. Table 2.1 summarizes spending by program from July 1, 2003 through June 30, 2004 for the two service areas.

Because federal law restricts local workforce service areas from spending more than 10 percent of their allocation for administration purposes, we looked at the division between administration and program costs in these two service areas. State officials have raised questions about whether service areas that depended heavily on vendors spent more than others on administration. From our analysis we concluded that:

- Differences in administration expenses for two sample workforce service areas were small, and they represent an incomplete measure for comparison.

We analyzed administration costs in two ways. First, we followed the federal government’s regulations that define which items and services are administrative and which are program-related. These regulations specify that all costs of vendors, such as those with whom Minneapolis contracts, are to be considered

### Table 2.1: Spending by Program in Two Workforce Service Areas, FY 2004

<table>
<thead>
<tr>
<th>Program</th>
<th>Minneapolis #10</th>
<th>Percentage of Total</th>
<th>Southwest Minnesota #6</th>
<th>Percentage of Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Federal WIA programs</td>
<td>$2,299,997</td>
<td>35%</td>
<td>$871,402</td>
<td>20%</td>
</tr>
<tr>
<td>State Dislocated Worker and Minnesota Youth Program</td>
<td>2,299,951</td>
<td>35%</td>
<td>618,760</td>
<td>15%</td>
</tr>
<tr>
<td>Other program grants</td>
<td>1,289,239(^a)</td>
<td>19%</td>
<td>1,744,432(^b)</td>
<td>41%</td>
</tr>
<tr>
<td>MFIP Employment and Training and other welfare-to-work programs</td>
<td>761,242</td>
<td>11%</td>
<td>1,030,449</td>
<td>24%</td>
</tr>
<tr>
<td>Total</td>
<td>$6,650,429</td>
<td>100%</td>
<td>$4,265,043</td>
<td>100%</td>
</tr>
</tbody>
</table>

**NOTE:** Percentages may not sum to 100% due to rounding.

\(^a\)Includes $978,000 in Community Development Block Grant funds; $143,000 in a U.S. Housing and Urban Development grant; $81,244 in a federal “H1B” grant targeted to health care employment and training; and $44,000 in a U.S. Department of Justice grant.

\(^b\)Includes $1.4 million in a federal “H1B” grant; $192,179 in a U.S. Department of Labor incentive grant; $36,867 in U.S. Department of Justice grants; and $33,211 in a Southwest Minnesota Foundation grant.


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“program” costs.\textsuperscript{25} Results from this method show fairly comparable percentages of expenditures for administration expenses when comparing the Minneapolis Service Area #10 with Southwest Service Area #6, as Table 2.2 illustrates.

For the second method of analysis, we set aside the legal definition of administration costs and instead included costs incurred by vendors. We asked 15 vendors in Minneapolis to distinguish between program and administration costs for the grants awarded by the city. Most were able to do so even though federal law does not require them to make this distinction.\textsuperscript{26} After adding the vendors’ derived administration costs to the city’s administration costs, we estimated that about 14.2 percent of fiscal year 2004 expenditures for federal programs serving adults, youth, and dislocated workers in Minneapolis Service Area #10 would be administration costs compared with the 11.9 percent for Southwest Service Area #6. In reality, redefining administration costs in this way would require a change to federal law. Should the law change, Minneapolis (as the grant recipient) could accommodate the change by modifying its contracts with vendors.\textsuperscript{27}

\begin{table}[h]
\centering
\caption{Administration Expenses as a Proportion of Expenditures, FY 2004}
\begin{tabular}{|l|c|c|}
\hline
 & Minneapolis Employment and Training Program & Southwest Minnesota Private Industry Council, Inc. \\
\hline
Expenditures\textsuperscript{a} & $2,191,849 & $835,451 \\
Administration expenses & $208,531 & $99,630\textsuperscript{b} \\
Administration as percentage of expenditures & 9.5\% & 11.9\% \\
Administration costs plus vendor costs as percentage of expenditures\textsuperscript{c} & 14.2\% & 11.9\% \\
\hline
\end{tabular}
\end{table}

\textsuperscript{a}Expenditures are for federal programs serving adults, youth, and dislocated workers, excluding federal incentive awards.

\textsuperscript{b}Includes amounts carried over from the prior program year. The 10 percent limit on administration expenses applies to the total allocation over the two-year period and, therefore, may be exceeded in a single year.

\textsuperscript{c}Federal law does not limit the proportion of administration expenses incurred by vendors, such as those contracting with Minneapolis Employment and Training Program. Southwest Minnesota Private Industry Council, Inc. does not contract with vendors to deliver services.

\textsuperscript{25} 20 CFR §667.220(c)(4) (2004). The only exception is for amounts awarded solely for performing administrative functions, such as payroll or audit functions.

\textsuperscript{26} Several of the vendors indicated that, due to high demand for services in fiscal year 2004, they supplemented the grants awarded by Minneapolis with revenues from other sources to pay for administration costs.

Whether the 2.3 percentage point difference is meaningful is difficult to say, especially because the definition of administration costs in our second method was artificial. When comparing costs across workforce service areas, administration expenditures may vary depending on the severity of customers’ needs and the economic conditions of the local areas. In addition, administration costs by themselves (however they are defined), are insufficient to judge the cost-effectiveness of a workforce service area. More critical is information on the outcomes experienced by customers using the services. As is described in Chapter 3, both Minneapolis Service Area #10 and Southwest Minnesota Service Area #6 achieved incentive awards in each of the last three program years for the federal workforce programs serving adults, youth, and dislocated workers.

**Incomplete Coordination**

Federal law gives policymaking authority to local workforce councils for the one-stop system in their areas, but it also gives similar authority to other agencies that deliver services. For instance, federal law requires the Job Service Program as a part of the one-stop system, but DEED operates and oversees it, and federal regulations require that state employees deliver those services.\(^28\) Similarly, federal law requires the delivery of both adult-basic education services and postsecondary vocational education services through workforce centers.\(^29\) Yet, primary authority for setting policies and overseeing services rests with other state entities, not local workforce councils. We found that:

- Multiple entities have authority to set policies for workforce development services, which has contributed to incomplete coordination.

Policies set by multiple authorities have sometimes conflicted, and service providers in several service areas described how they had to adhere to certain policies and defer others. As an example, one county employee working with MFIP Employment and Training said his role is to carry out the direction of the county board, even when it conflicts with the direction set by the workforce council, which wanted to focus resources more heavily on businesses. In another instance, service providers described conflicts that arose because county staff and local workforce council members both wanted to control how dollars were spent.

In some cases, incomplete coordination has led to missed opportunities to save dollars. For example, service providers from different programs in a workforce center have purchased equipment, such as photocopiers, when a more coordinated arrangement would have resulted in equipment being shared by multiple programs. Also, it was common for each of several programs housed in one center to have its own employees responsible for intake and assessment instead of coordinating those responsibilities among programs.


\(^{29}\) Services may be provided through referrals; they need not be physically located in the centers.
Diffuse authority also resulted in incomplete coordination even when service providers were working cooperatively at the local level. For instance, in a service area where the local workforce council had agreed on the need for improved marketing of workforce center services, service providers from several programs worked together to develop a joint marketing plan. After the plan was completed however, certain service providers had to pull out because their superiors redirected resources elsewhere, and the plan requested by the local council was not implemented.

In the sections below, we discuss insufficient coordination of two specific programs, adult-basic education services and postsecondary vocational education services. We focus on these programs because each is a large program affecting many people, federal law requires the delivery of these two services as part of the one-stop delivery system, and full coordination with other workforce development services is lacking.

**Adult-Basic Education Programs**

Adult education and literacy programs are among the services federal law requires through the one-stop delivery system, but Minnesota’s Department of Education, not the local workforce council, is authorized to set policies for and monitor adult-basic education.\(^{30}\) The groups of public schools and nonprofit agencies around the state that administer adult-basic education services and provide the instruction do not report to local workforce councils. Adult-basic education administrators we spoke with said they may interact with local workforce councils, but they do not take direction from the councils. Although each of Minnesota’s workforce service areas has at least one adult-basic education provider in it,

- Diffuse authority has produced incomplete coordination between some local workforce councils and adult-basic education organizations.

Access to adult-basic education through workforce centers is not consistent statewide. Some workforce center service providers in outstate Minnesota said that use of adult-basic education varied by county because not every county had adult-basic education instructors. Plus, only six or seven of the 50 workforce centers provide adult-basic education services on site. Although federal law does not require providing such services on site at workforce centers, many service providers at centers with on-site services said they help ensure that customers receive the adult-basic education services they need. Even in the centers that offer adult-basic education services on site, these services may not be available year round, despite the need, according to certain program managers. Other workforce center service providers expressed a desire to have adult-basic education services on site, but limited space or the cost of paying rent in the center precluded this.

Many workforce center service providers told us that they have arrangements to refer customers to nearby adult-basic education providers when such services are not available on site. However, referral arrangements have not been uniformly effective. Service providers described customers who did not receive the adult-basic education services they needed even when they were referred to

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\(^{30}\) Workforce Investment Act, §§121(b)(1); 203(4); 221(1); and 223(5).
insufficient coordination prevents local workforce councils from ensuring that employment needs are met.

As of June 2004, 5 of the 16 local workforce councils had no representative of a local school district or education district, and it was unclear for at least two other councils how familiar the local education representative was with adult-basic education services. Minnesota statutes require local workforce council membership to include representatives of educational agencies that “are representative of all” educational agencies in the local area. Although other education representatives, such as those from postsecondary institutions, may help the local councils meet this requirement, we question whether councils that lack representation from a local school district or education district can achieve the same level of coordination with adult literacy activities as other councils.

**RECOMMENDATION**

Local workforce councils should work with adult-basic education organizations to improve coordination, and DEED should facilitate this by developing guidance jointly with the Department of Education and the Governor’s Workforce Development Council.

Local workforce council coordination with adult-basic education organizations is important to fulfill the councils’ role of ensuring that service providers meet the employment needs of local employers and participants. For example, councils should devote time to learning about the adult-basic education services in the area and understanding how certain customers need to prepare for employment before finding a job. Also, workforce services staff should hold periodic meetings with adult-basic education staff. Although joint staff meetings are fairly common among the major service providers in workforce centers, meetings including adult-basic education staff are less frequent or do not occur.

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32 The major service providers are typically state staff managing Job Service, Vocational Rehabilitation, and State Services for the Blind plus local staff managing the federal programs for adult, youth, and dislocated workers as well as MFIP Employment and Training and related programs.
Policy makers at the state level should facilitate additional local cooperation by providing guidance on specific activities, such as referral procedures, memoranda of understanding, and representation on workforce councils. Guidance on referral procedures should help ensure that local staff determine whether customers actually receive the adult-basic education services they need. Guidance on the memorandum of understanding required by federal law between an adult-basic education organization and a local workforce council should specify the contents of the memoranda.\(^{33}\) Although Minnesota’s Department of Education developed a memorandum template, it does not know whether the memorandum in place contain all the necessary provisions or even how many adult-basic education organizations around the state have signed one. In addition, the state should provide guidance regarding representation of adult-basic education on the local workforce councils to generate exchanges of information and other cooperative activities. In our view, the Governor’s Council should be involved because of its role in assuring coordination among workforce development programs.\(^{34}\)

**Postsecondary Vocational Education**

Postsecondary vocational education services are also among the services federal law requires through the one-stop delivery system, but the Minnesota State Colleges and Universities system (MnSCU), rather than the workforce councils, oversees these services in Minnesota. As described in Chapter 1, state statutes give the MnSCU Board of Trustees sole authority to receive and disburse federal vocational education funds and require the board to develop a state plan for vocational technical education.\(^{35}\)

Administrators of MnSCU and DEED have taken steps to increase coordination at the management levels of each agency. For instance, MnSCU’s System Director for Customized Training is a member of the Job Skills Partnership Board and that board’s executive committee, and he serves as an official liaison to DEED. The associate vice chancellor sits on the Governor’s Workforce Development Council on behalf of MnSCU’s chancellor, and MnSCU administrators take part in monthly meetings with a team of DEED directors. MnSCU established a key contact person for MnSCU institutions in the Twin Cities metropolitan area and planned to have similar positions filled for each of the state’s six planning regions in late 2004, similar to the six regional administrators DEED instituted in June 2004 to coordinate programs in workforce service areas. Some workforce service areas have a high degree of coordination with nearby MnSCU institutions—for example, with MnSCU instructors teaching computer courses in the centers’ computer labs or college presidents represented on local workforce councils. Despite these efforts,

- **Diffuse authority has produced incomplete coordination between some local workforce service areas and individual postsecondary campuses.**

\(^{33}\) WIA requires the memoranda to describe methods of referral and how services will be provided and funded. *Workforce Investment Act*, §121(c)(2).

\(^{34}\) *Workforce Investment Act*, §111(d)(2)(A).

\(^{35}\) *Minn. Stat.* (2004), §136F.79.
MnSCU schools that receive federal funds must demonstrate that they are collaborating with workforce centers, but workforce center personnel in several service areas identified instances of insufficient coordination. In a number of service areas, workforce center business-service representatives make calls on employers separately from contacts MnSCU employees make. Some workforce service area directors told us that although service providers refer customers to MnSCU for classes, there is little coordination with MnSCU on more strategic needs, such as determining the long-term implications of employment projections or how MnSCU can respond to locally identified needs for certain skill sets. For instance, one director described how the service area lacked sufficient nursing training to meet the demand and how better coordination with MnSCU might help anticipate that kind of demand in the future. In addition, one technical college representative explained that lack of coordination resulted in some customers falling between the cracks when they received referrals to MnSCU schools but failed to register or show up for class.

We also learned about lost opportunities due to insufficient coordination. Although a small business with specific training needs may not generate enough customers on its own for MnSCU training, service area directors said that additional coordination could have brought together several small businesses with similar training needs and supplied enough employees to justify the training. One director said that both the workforce center and a nearby MnSCU campus employed their own job placement staff, but the two could share such staff. Many workforce service area personnel also said that additional coordination could attune MnSCU schools to local needs, such as serving job seekers who were recently laid off.

**RECOMMENDATION**

The Legislature should require DEED and MnSCU to improve local coordination between workforce development and postsecondary vocational education institutions around the state.

We believe that DEED and MnSCU should review coordination between workforce development and postsecondary vocational education around the state, determine whether examples of effective coordination in some areas can be replicated elsewhere, and report back with recommendations on improvements. Given that membership of the Governor’s Workforce Development Council includes the commissioner of DEED and the chancellor of MnSCU’s Board of Trustees, the council is in a good position to facilitate this review. A legislative requirement is needed because the Governor’s control over MnSCU is less direct than gubernatorial authority for state departments such as DEED. Both DEED

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37 The 15 members of MnSCU’s Board of Trustees are appointed by the Governor, with the advice and consent of the Senate, to six-year terms. Commissioners of state departments are appointed similarly but serve at the pleasure of the Governor, and their terms end with the term of the Governor.
Examples of cooperation between workforce service areas and postsecondary schools in some parts of the state could serve as models elsewhere.

We learned about examples of cooperation between workforce service areas and MnSCU institutions, which provide models for other parts of the state. The examples involve everything from jointly developing grant proposals, to sharing staff positions, to locating workforce centers on MnSCU campuses. Other examples are providing career exploration workshops on campus, forming consortia of area MnSCU presidents to meet with workforce council chairs and directors, and convening regular meetings between the customized training directors of a college and the nearby workforce center program managers.

Besides identifying successful examples of coordination between MnSCU and workforce service areas, the review should determine whether certain impediments prevent that coordination from being replicated in other areas. Local factors, such as distance between a workforce center and the nearest MnSCU campus, should be identified to understand the feasibility of pursuing additional coordination. While such a report cannot by itself guarantee that additional coordination will occur, documenting successful coordination and determining its feasibility for use elsewhere might allow local and state leaders to make informed decisions about potential next steps.

LOCAL WORKFORCE COUNCILS’ ECONOMIC DEVELOPMENT FUNCTION

Federal law requires local workforce councils to coordinate the local area’s workforce investment activities with economic development strategies. Further, state statutes require that workforce council membership include representatives of economic development agencies.

Although federal law does not specify which economic development efforts require coordination with workforce councils, authority for economic development in Minnesota exists both at the state and local levels of government. State law reinforces the need to unify workforce development and economic development. When the Legislature established the JOBZ economic development program in 2003, it required that applicants for the program include in their plans evidence that local workforce councils support the project. Plus, one of the anticipated changes from merging the departments of Economic Security and Trade and Economic Development in 2003 was to integrate approaches to

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38 A 2001 report to the Legislature on the potential for co-locating workforce centers on MnSCU campuses identified three near-term opportunities for co-location and 22 candidates for further study of co-location in the longer-term future. Many of the co-location possibilities depended on the availability of capital funding to construct or renovate campus buildings to accommodate workforce centers. The Minnesota Department of Economic Security and the Minnesota State Colleges and Universities System, Potential Co-location of Workforce Centers on MnSCU Campuses (St. Paul, January 2001), 2-5.

39 Workforce Investment Act, §117(d)(7).


41 Laws of Minnesota (1Sp2003), ch. 21, art. 1, sec. 16 (b)(2).
Some local councils’ coordination with economic development strategies is greater than others.

Federal law does not include a reciprocal mandate requiring economic development authorities to cooperate with local workforce councils.

economic development and workforce training. At the local level, Minnesota counties and cities have authority for various economic development activities, such as granting property tax abatements to encourage a business to expand at a location. From talking to local workforce council chairs, workforce service area directors, and others, we found that:

- Some local workforce councils find it difficult to coordinate their activities with state and local economic development strategies, although federal law requires this coordination.

A few workforce councils are actively coordinating with local economic development strategies in their areas. For example, in Dakota County one workforce council member is also a member of the county’s economic development organization; the two work collaboratively to identify new businesses in the area and refer appropriate job seekers to them. All 16 of Minnesota’s workforce councils have at least one member that represents economic development. We learned about some service areas’ efforts to integrate with economic development, such as working with developers on workforce issues and holding economic development summits to review regionwide issues. Beyond that, the Minnesota Workforce Council Association recently committed to developing protocols for linking economic development with workforce development. Despite these efforts, however, several factors stand in the way of coordinating workforce development with economic development strategies consistently around the state, as described below.

### Barriers to Coordination with Economic Development Strategies

Only 4 of the 16 local workforce council chairs told us that their councils were actively involved in integrating their work with economic development efforts in the area. Half of the other chairs said they had some involvement, and many of these acknowledged that they expect to increase this role in the future. The other six chairs said their council had little if any involvement in economic development within their areas. Further, only half of the 16 service area directors indicated that the work of the workforce councils in their areas was heavily integrated with economic development strategies, although nearly all indicated the involvement will increase.

Council chairs cited practical difficulties they face when trying to integrate the councils’ work with economic development strategies, particularly in rural parts of the state. First, council chairs told us that some economic development officials believe they have sufficient expertise and resist working with local workforce councils. Although federal law requires local workforce councils to coordinate their work with economic development strategies, it does not include a reciprocal requirement for economic development authorities. Neither state nor local economic development authorities are obliged by law to coordinate their activities with workforce development strategies.

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Second, many local councils represent multiple counties, and each county’s involvement in economic development differs. Some counties have active economic development authorities, while others have none. Within some counties, certain cities also have their own economic development initiatives. Working with numerous local officials and such varied levels of interest makes it difficult for the council to develop a unified economic development message. Third, local chairs said that councils have few resources for handling economic development issues and no funding dedicated for the effort or hiring staff.

Beyond that, a few council chairs described how some of their council members were uncomfortable with a role in economic development. Some members feel unprepared for what they view as a new function. Others want to support economic development efforts already in place instead of creating new ones. Certain county commissioners with whom we spoke also expressed reservations about involving the workforce councils with economic development strategies. Some were reluctant about having government at any level trying to steer economic development, and some simply did not see this as part of their workforce council’s role.

**RECOMMENDATION**

*Local workforce councils should coordinate their work with state and local economic development strategies, to the extent they are not already doing so. To facilitate this, DEED and local workforce service areas should identify what is needed to coordinate workforce development with economic development and intensify efforts to provide information and training resources on coordination.*

Integration with economic development will require local workforce councils to dedicate time and resources to the topic. Workforce councils will have to deal with barriers to this integration, particularly in outstate Minnesota where the service areas typically comprise several counties and numerous economic development efforts instead of a unified one. Among the workforce councils already embracing economic development issues, the activities range from basic to quite complex, and they offer examples of how to improve coordination. At one end of the spectrum, workforce councils should devote meeting time to presentations by local economic development specialists. More complex activities include identifying short lists of strategic industries and attracting companies and retraining workers within these industries. Another example is designing strategies that require developers who receive incentives from local governments to guarantee a certain number of jobs for targeted populations.

Where coordination is incomplete, DEED and local workforce service areas should identify what is needed to facilitate the coordination between workforce councils and economic development agencies. Some efforts are already underway. In 2004, DEED began working with representatives of local service areas on integrating economic development with other workforce council duties. For instance, DEED and the Minnesota Workforce Council Association produced
Before seeking changes to state law, the department and local workforce service areas should determine what changes could improve coordination with economic development strategies.

DEED is also starting to integrate its own economic development staff with its workforce center staff. In the fall of 2004, DEED’s economic development staff met with workforce center staff whose jobs include making contacts with businesses. DEED’s intent was to identify steps that these staff persons who have worked separately in the past could now take together. DEED has also worked with two local service areas on pilot projects, one focusing on the health care industry and the other on the finance industry. Specialists in these industries were hired to coordinate the pilot projects and demonstrate how to target industries and meet those employers’ needs.

In addition to these efforts, DEED and the local workforce service areas should examine the existing coordination between local workforce councils and economic development authorities. Short of requesting changes to state statutes to force coordination, we believe the department should first determine what else is needed to improve coordination in those service areas where it is incomplete. In some cases, this may involve changes in activities on the part of economic development authorities. If so, DEED should determine whether the changes require modifications to state law.

In other cases, identifying a need for additional coordination may mean changes for local workforce councils. DEED should provide an ongoing set of resources for local workforce council members on the subject of economic development. Resources should include additional training for current council members, as well as institutionalizing the economic development overview described above for use by new members as they come into their positions. DEED should distribute information on best practices of workforce councils that have successfully integrated their work with economic development. It should ensure that the work of its economic development staff is more systematically integrated with that of its workforce center staff. It should also identify ways to involve its economic development staffs’ expertise with the work of local workforce councils.

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44 The first of the training sessions began in the late fall of 2004, and others have been developed for each of six planning regions in the state.