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# State of Wyoming

## Department of Workforce Services

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To: Joint Appropriations Committee

From: Director Robin Sessions Cooley, J.D.

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Subject: Response to questions from Committee on Workforce Development Training Fund, Unemployment Insurance Federal and State Trust Funds, and the Division of Vocational Rehabilitation

The Joint Appropriations Committee (JAC) had several questions for the Department of Workforce Services (DWS) at its meeting held on December 18, 2023. This memorandum provides additional information in response to the Committee's questions.

### Workforce Development Training Fund Program

#### Background

Following the COVID-19 pandemic, Wyoming employers expressed an urgent need for assistance in addressing worker shortages. To assist, DWS conducted a thorough review of existing programs funded by the Workforce Development Training Fund (WDTF) and determined that it was fiscally feasible to *increase* the amount of funding offered to businesses. For internship grants, this increase would allow employers to offer more competitive wages, especially as the U.S. began to see inflation exceed wage growth.

#### Which industries are impacted by the grants?

Please refer to the attached graph, *Workforce Development Training Fund Amount Approved by Industry*, for detailed information on the Wyoming industries served for Fiscal Years 2022 and 2023.

#### What is the long-term impact?

Current data indicates that **41%** of interns taking part in the program go directly into Wyoming's workforce, while the other **59%** continue their education, pursue additional training, or take a different Wyoming career path. The internship track is one piece of the individual's career pathway and includes a structured mentorship process with the intention of building a relationship with a Wyoming employer and a focus on retaining Wyoming youth. Another track

is through an apprenticeship program. Agency data indicates that approximately **90%** of apprentices in Wyoming complete their respective programs and continue on as permanent employees with their Wyoming employer. Another large part of the program, the business training grant program, provides grants to provide training for existing workers. The agency does not have data on retention rates for employees who receive training to upskill them in their careers, but outside research indicates that training of this type does play a significant role in worker retention and satisfaction.<sup>1</sup>

### **What has caused the increase in utilization of WDTF Funds?**

In early 2022, DWS began to consider changes to the WDTF maximum allowable costs as it was not uncommon for funding requests to exceed the maximum amount in the rules - indicating that typical training costs were in excess of the maximum allowable costs. In addition, more money had been available in the WDTF account than DWS was spending, and employers were still feeling the COVID effects.

In May 2022, the maximum funding amounts were increased via emergency rule. The agency began collecting data so that it could adjust as needed based on the amount of funds available and the number of qualifying requests. DWS began providing outreach and townhall webinars to educate employers on the different grant programs. Employers recognized there were funds to help them hire an intern or apprentice, or to upskill existing employees. These employers provided sufficient supporting information to illustrate the benefit of the grant to their businesses, their employees, and their community. They developed structured learning experiences and mentorships that were valuable to the business and the worker.

In April 2023, DWS paused grants to develop new policies as there were far more qualifying requests from employers than there were funds to grant the requests. In May of 2023, DWS reopened the grants but implemented policies to ensure the funds were not depleted before the end of the biennium. A further explanation of these policies follows.

### **How many applications are in the queue?**

Applications are currently only accepted during the first seven days of the month and an initial review is conducted to ensure the application is complete. If applicants fail to include all necessary documentation, they are advised to resubmit a completed application the following month due to the volume of grants being submitted. DWS is readily available to assist employers in completing their applications prior to submission and hosts monthly public Q&A sessions.

The program receives 100 grant applications per month, with an average total amount requested of \$500,000 per month. Current funding allows the program to approve an average of \$150,000 per month. Healthcare, manufacturing, finance, and construction are the industries submitting the most applications.

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<sup>1</sup> See R. Stolz, Talent Development: Strategies to Future Proof Your Workforce, workhuman, January 26, 2023.

**What are the typical wages for interns?**

DWS uses an online occupation classification resource (O\*NET ) to determine an appropriate wage based on the average industry wages in Wyoming. Applicants provide evidence to support their desired wage amount based on Wyoming industry standards, which often include a wage scale of “the low end, median, and high end.” The maximum amount for an intern was increased to up to \$25/hour in August of 2022 but has since been reduced to up to \$18/hour effective May 1, 2023.

**Please provide the WDTF expenditures and account balance for the last 5 years.**

*Table 1. Workforce Development Training Fund Expenditures and Balance by Fiscal Year<sup>2</sup>*

	FY19	FY20	FY21	FY22	FY23
<b>Fund Balance</b>	\$8,894,741	\$9,416,326	\$10,149,546	\$9,539,785	\$5,109,449
<b>Expenditures</b>	\$405,618	\$512,144	\$790,252	\$1,208,991	\$5,651,779

Based on previous spending, the program budgeted to spend down the excess funds in the account within three years. The program became so popular that current funding levels are only able to fund approximately 30% of the dollar amount requested each month.

Current Fund Balance as of 01/04/2024: \$3,238,566

**Unemployment Insurance - Federal and State UI Trust Funds****What has the balance of the Federal UI Trust Fund been for the past 10 years?**

The current structure of the Federal UI Trust Fund and the allocations of the employer payments through statute is intended to increase amounts in this fund. The Federal UI Trust Fund is typically in the top three healthiest funds in the country, and the majority of employer tax rates will be at 0% for the third year in a row. Changing the allocation of one adjustment factor, the Non-Charged/Ineffectively Charged (NC/IC) Factor, would benefit employers through additional training dollars.

To ensure Wyoming employers pay Federal Unemployment Tax Act (FUTA) at .6% instead of 6%, the average State Unemployment Tax rate for all employers in Wyoming must be no less than 1%. Reducing tax rates below the current rates could place the average rate in Wyoming below 1%, negatively impacting Wyoming employers by jeopardizing their FUTA credit.

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<sup>2</sup>The expenditures do not line up with the fund balance amounts because the term “Fund Balance” reflects outgoing expenditures, monthly deposits, and annual investment gains and losses.

Below is the 10-year balance of the fund as of December 31 of each year:

<b>2014</b>	\$317,448,225.97	<b>2019</b>	\$358,415,759.54
<b>2015</b>	\$350,382,106.43	<b>2020</b>	\$306,813,123.76
<b>2016</b>	\$308,781,566.76	<b>2021</b>	\$326,941,995.43
<b>2017</b>	\$291,408,931.94	<b>2022</b>	\$440,312,577.78
<b>2018</b>	\$317,944,085.02	<b>2023</b>	\$462,460,119.03

**What amount of funds can the WDTF program expect to receive if the State UI Trust Fund is invested in Pool A?**

The State UI Trust fund balance is approximately \$51M. The State Treasurer's Office provided the following table, which estimates how much more may be earned in Pool A versus the State Agency Pool. This table shows that over a ten-year period, the average estimated increase is \$823,374/year. However, DWS wants to note that the availability of these funds to utilize for this purpose differs when the investment comes from Pool A.

*Table 2. Investment Performance (Total Return) for Pool A and State Agency Pool as of June 30, 2023*

	<b>1 year</b>	<b>3 years</b>	<b>5 years</b>	<b>10 years</b>
Pool A Rate of Return	5.1%	3.8%	4.2%	3.4%
State Agency Pool Rate of Return	1.5%	-0.3%	1.4%	1.8%
difference	3.6%	4.1%	2.8%	1.6%
<b>State Unemployment Trust Balance</b>	<b>1 year additional income</b>	<b>3 year additional income</b>	<b>5 year additional income</b>	<b>10 year additional income</b>
\$51,460,891	\$1,852,592	\$6,329,690	\$7,204,525	\$8,233,743

Source: RVK Performance Report June 30, 2023 and LSO analysis.

Availability timeline: If the State UI trust fund is invested in Pool A, funds from Pool A are available to the agency at the end of the fiscal year instead of on a monthly basis as the funds are currently available. The agency is investigating options to take into account this difference in fund availability for these programs, at least for the first year of implementation.

**What amount of funds can the WDTF and the Employment Support Fund (ESF) expect to receive if the Non-Charged/Ineffectively Charged (NC/IC) Factor<sup>3</sup> is reallocated per the current bill proposal?**

The current bill proposes to distribute the NC/IC Factor by allocating 20% to the Federal UI Trust Fund, 20% to the WDTF for training grant programs, and 60% to the ESF for administration and workforce program costs. JAC asked for estimates on how these funding allocation changes might affect the accounts.

Below shows the Employment Support Funds collections for the past six years.

<b>2018</b>	\$ 5,978,733.55	<b>2021</b>	\$ 4,746,736.45
<b>2019</b>	\$ 4,947,811.81	<b>2022</b>	\$ 5,338,640.21
<b>2020</b>	\$ 4,615,655.17	<b>2023</b>	\$ 7,215,513.87

The average collection of ESF for 2018 - 2022<sup>4</sup> is \$5,125,515/year. Using this average as a gauge, if the proposed bill were to pass, \$2,562,757 would go to the federal trust fund (instead of \$8,270,925), \$2,562,757 would go to the WDTF (instead of nothing) and \$7,688,272 (instead of \$5,513,950) would go to the ESF program.

FY24 ESF collections will be much lower than the five-year average above. From July 1 - December 31, 2023, only \$430,029 has been collected for ESF. In comparison, for FY 2022, between July 1, 2021 - December 31, 2021, \$2,520,600 had been collected.

Implementation timeline: If the proposed bill were to pass, the soonest it could be implemented is January 1, 2025. Quarter 1 taxes for 2025 are due April 30, 2025. Consequently, the earliest a portion of these funds could be available to the ESF or WDTF programs is April 30, 2025.

**Vocational Rehabilitation Program**

**Can you provide a list of interpreters located in Wyoming?**

While there are multiple entities throughout the country that provide remote interpreting services, the Department of Workforce Services' Division of Vocational Rehabilitation (DVR) utilizes a list of 24 individuals who have provided specific credential-related information to support their eligibility as an interpreter. DVR's list may be found online at <https://dws.wyo.gov/signlanguageinterpreterlist>.

Attachment: Workforce Development Training Fund Expenditures by Industry Graph.

<sup>3</sup> The NC/IC Factor replenishes the Federal UI Trust Fund with benefits that have been paid out but not charged to employers due to specific reasons outlined in statute, or because the employer is at a maximum tax rate. The current allocation requires 60% of these funds to flow to the Federal UI Trust Fund and 40% to the ESF.

<sup>4</sup> FY23 collections of \$7.2 million is an anomaly, so we left it out of the average.



# Workforce Development Training Fund Amount Approved by Industry, FY22-FY23

\* The top industries identified by the Wyoming Workforce Development Council as preferred industries are Healthcare and Social Assistance, Construction, Manufacturing, Technology, Finance and Insurance, and Hospitality and Tourism. These industries have been identified by business and industry partners across the various regions in Wyoming.

