

Department of Planning and Budget

2023 Fiscal Impact Statement

1. Bill Number: HB2195

House of Origin	<input checked="" type="checkbox"/> Introduced	<input type="checkbox"/> Substitute	<input type="checkbox"/> Engrossed
Second House	<input type="checkbox"/> In Committee	<input type="checkbox"/> Substitute	<input type="checkbox"/> Enrolled

2. Patron: Byron

3. Committee: Commerce and Energy

4. Title: Department of Workforce Development and Advancement created; consolidation of the Commonwealth's workforce development policies and programs; report.

5. Summary: Creates the Department of Workforce Development and Advancement (the Department) to serve as administrator and fiscal agent for the Commonwealth's workforce development programs. The bill consolidates statewide workforce program evaluation and data sharing under the Department and provides protections against improper disclosure of data. The bill provides for the Virginia Board of Workforce Development to conduct an independent evaluation of the operations and program objectives of the Department on a biennial basis with the first report due on December 1, 2025. The bill also (i) transfers administration of apprenticeship programs from the Department of Labor and Industry to the Department, (ii) changes the name of the Office of Education and Labor Market Analysis to the Office of Education and Workforce Research and moves the Office from the Virginia Economic Development Partnership Authority to the Department, and (iii) shifts the administration and implementation of adult education programs from the Board of Education and local school boards to the State Board for Community Colleges and comprehensive community colleges. The bill directs the Secretary of Labor to conduct a comprehensive review of the Commonwealth's workforce development programs and make recommendations to address a wide range of subjects relating to improving the effectiveness and efficiency of such programs. This bill is a recommendation of the Small Business Commission.

6. Budget Amendment Necessary: No amendment is needed to implement the provisions of this legislation as the Governor is given the authority to administratively move appropriation to establish the new agency. Consideration might be given to provide a budget amendment under Section 3-2.03 of HB1400/SB800 to create the \$5 million line of credit for startup costs of the newly created agency provided in enactment 5 of this legislation.

7. Fiscal Impact Estimates: Indeterminate. See item 8, below.

- 8. Fiscal Implications:** This fiscal impact statement is preliminary and will be updated as information from the impacted agencies becomes available.

The bill creates the Department of Workforce Development and Advancement (DWDA), which is to consolidate workforce programs from several existing agencies. It is anticipated that the restructuring will result in a fiscal impact, including but not limited to: costs tied to the management/administration of the new DWDA agency; the transition of a number of classified and non-classified employees into the DWDA, and potential Workforce Transition Act costs resulting from it; impacts related to the loss of capacity in agencies whose staff is reduced; as well as costs resulting from a small number of new duties assigned to a few agencies. A study conducted by Deloitte indicates that operational and programmatic efficiencies from the consolidation of these workforce programs will result in reduced annual costs beginning in the 2024-2026 biennium. An enactment clause allows DWDA to access a line of credit not to exceed \$5 million for paying the costs related to the transition of workforce development programs, services, and functions to the DWDA.

The bill requires that DWDA administer and become the fiscal agent for a number of programs currently housed in several agencies, including the Virginia Employment Commission, Virginia Community College System (VCCS), Department of Labor and Industry (DOLI), Virginia Economic Development Partnership, Department of Education (DOE), State Council of Higher Education for Virginia (SCHEV), and the Secretary of Labor. Programs to be transferred include the implementation of Titles I and III of the Workforce Innovation and Opportunity Act (WIOA); Trade Adjustment Assistance Program; Jobs for Veterans State Grant program; Reemployment Services and Eligibility Assessment program; Registered apprenticeship programs and other apprenticeship programs; Virginia Office of Education Economics; Virginia Career Works Referral Portal and Workforce Data Trust; Virginia Workforce Connection; Labor market information services; Virginia Voyager; Virginia Talent and Opportunity Partnership; and Network2Work.

The apprenticeship program is to be transferred from DOLI to the new agency; at this time fiscal impact estimates are not available from DOLI.

Preliminarily, VCCS has identified 38 positions supported by \$53.9 million of nongeneral, federal WIOA Title I appropriation that would be transferred under this proposal. These 38 positions represent the total number authorized by Chapter 2, Special Session I, 2022 Acts of Assembly (the 2022 Appropriation Act) and may not directly indicate the number of positions that will be needed in DWDA. VCCS indicates that the costs associated with the few positions split-funded with WIOA funds can be absorbed. Additionally, VCCS has identified staff currently located at Piedmont Virginia Community College (PVCC) supported by a portion of the \$2.0 million general fund appropriation authorized by Item 487.50.B.3, the 2022 Appropriation Act for "Network2Work" that would be transferred via this legislation. It is anticipated that these personnel would remain at PVCC; however, it is unclear if VCCS will continue to receive support for the positions from the "Network2Work" appropriation. Costs associated with remaining systems and other technology resources used to support these and other transferred programs is indeterminate at this time.

Current budget language under VCCS provides that 15 percent of the revenues received for WIOA Title I administration is reserved by the Governor in a fund to support administration of the Title I programs and statewide strategic workforce initiatives. DWDA may be able to use some of these funds to cover transition and initial implementation expenses, if approved by the Governor.

This bill would move responsibility for adult education programs from the DOE to VCCS. In FY 2022, DOE received \$15.4 million in federal funding from the Workforce Innovation and Opportunity Title II for Adult Education and Literacy, and a similar amount is expected to be awarded in FY 2024 and future years, as appropriated under Direct Aid to Public Education. In addition, \$2.5 million state general fund support is appropriated to Direct Aid for Adult Literacy as the state matching funds required for this federal grant. Other adult education programs are funded through Direct Aid, including \$1.1 million in general fund support for Adult Education and \$2.4 million in lottery funding for Race to GED.

The administration of the WIOA Title II Grant and operation of all adult literacy and education programs is through the Department of Education Central Office. Adult Education positions at DOE are split funded between the general fund and federal funds. DOE receives \$643,026 in general fund support for Adult Education and Literacy. The office of Adult Education at DOE currently employs a coordinator and five additional positions that would need to be transferred to VCCS. One position, and general fund dollars to support it, would need to remain at DOE to support a program serving students enrolled in school divisions that would not be transferred to VCCS.

The proposed legislation also requires the Secretary of Labor to complete a review of all workforce service programs and training. The introduced budget includes funding for two additional positions in order to expand capacities in the Secretariat. The Secretary of Labor anticipates that any fiscal impact that may result from the review of all workforce service programs and training can be absorbed within the resources included for the Secretariat in the introduced budget bill.

The Department of Professional and Occupational Regulation (DPOR) anticipates that any fiscal impact can be absorbed within existing resources.

The Virginia Employment Commission anticipates that this bill will impact approximately 322 nongeneral fund positions and \$34.2 million from nongeneral fund, primarily federal sources. Approximately 163 of the 322 positions would be located in the central office for the new department and the remainder would be supporting programs in satellite locations. The specific financial resources or fund details tied to these positions are not available at this time.

The bill includes a misdemeanor penalty for violations of the terms for data sharing. There is not enough information available to reliably estimate the possible increase in jail population as a result of this proposal. However, any increase in jail population will increase costs to the

state. The Commonwealth currently pays the localities \$4.00 a day for each misdemeanor or otherwise local-responsible prisoner held in a jail. It also funds a large portion of the jails' operating costs, e.g., correctional officers. The state's share of these costs varies from locality to locality. However, according to the Compensation Board's most recent Jail Cost Report (November 2022), the estimated total state support for local jails averaged \$40.39 per inmate, per day in FY 2021.

At this time, administrative and support cost estimates for the new department are not available. In the near term, it is anticipated that the Virginia Employment Commission (VEC) could provide administrative support for the new agency until those costs for DWDA are identified and addressed with the resources available from the programs being moved into DWDA. Any costs incurred by the VEC for providing administrative support could also be covered from these resources.

9. Specific Agency or Political Subdivisions Affected: Department of Workforce Development and Advancement (established); Virginia Employment Commission; Virginia Community College System; Department of Labor and Industry; Virginia Economic Development Partnership; Department of Education; State Council of Higher Education for Virginia; Secretary of Labor; Department for Aging and Rehabilitative Services; Department for the Blind and Vision Impaired; Department of Social; Virginia Initiative for Education and Work; Department of Juvenile Justice; Department of Corrections; Department of Veterans Services; Secretaries of Education, Commerce and Trade, and Finance; State Board for Community Colleges; courts; local and regional jails; localities

10. Technical Amendment Necessary: In line 93, "113-128" includes a link to the Code of Virginia. This is federal law.

Line 241 indicates that a violation is to result in a misdemeanor, but does not specify the class

Line 218: "Virginia Value Veterans" should be "Virginia Values Veterans"

11. Other Comments: The Virginia Talent and Opportunity Partnership, proposed to be moved from SCHEV to DWDA, is established in § 23.1-903.4, Code of Virginia, as the Innovative Internship Program, to be administered by SCHEV. The bill does not address this.

According to DPOR, § 54.1-1131, Code of Virginia, has a reference to "apprenticeships approved by the Commissioner of DOLI", which requires updating in order to include the new role of the DWDA.

This bill is identical to SB1470.