

Department of Planning and Budget 2023 Fiscal Impact Statement

1. **Bill Number:** HB2195

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

2. **Patron:** Byron

3. **Committee:** Passed both Houses

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 (DWDA) 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 transfers administration of apprenticeship programs from the Department of Labor and Industry to the Department, and requires that DWDA and the State Council of Higher Education for Virginia (SCHEV) collaborate to grow and expand the Innovative Internship Fund and Program and develop a report on the progress of this collaboration. 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. The Secretary is also tasked with convening a stakeholder work group for the purpose of advising the Secretary during the program transition period between July 1, 2023, through September 30, 2024. The bill requires the Secretary of Labor to provide a progress report quarterly to the Governor and the General Assembly. The bill requires that the Secretaries of Finance and Labor approve disbursements from amounts appropriated to the Department prior to expenditure.

6. **Budget Amendment Necessary:** Yes. Budget amendments are needed to support the House's and the Senate's anticipated fiscal impact for participation in the stakeholder group, as well as to cover costs to the Office of the Secretary of Labor and the Office of Data Governance and Analytics.

7. **Fiscal Impact Estimates:** Final. See Item 8, below.

- 8. Fiscal Implications:** 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.

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), and the Department of Labor and Industry (DOLI).

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 Career Works Referral Portal and Workforce Data Trust; Virginia Workforce Connection; Labor market information services; Virginia Voyager; Network2Work; and the Hampton Roads Skilled Trades Rapid On-Ramp Network for Growth.

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

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.

According to VCCS, the Hampton Roads Skilled Trades Rapid On-ramp Network Growth (Hampton Roads STRONG) was envisioned as a partnership between community colleges serving the Hampton Roads region, the Virginia Ship Repair Association, and the Hampton Roads Workforce Council. \$2.5 million from the general fund supports expenditures in this

program annually. From this funding, approximately \$1.0 million, or 40 percent, is spent directly by VCCS on personal and non-personal services associated with instructors, investment in equipment and infrastructure improvements specifically tailored for the intended programs and internal administrative costs. The remaining amounts are pass-through.

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.

The proposed legislation also requires the Secretary of Labor to complete a review of all workforce service programs and training and to convene a stakeholder group. It is anticipated that the Secretary of Labor will require additional staff support or contractual funding to implement the provisions of this bill, including a review of all workforce service and training programs. The introduced budget bill included \$399,950 and two positions to support the provisions of this bill and to address existing workload within the Office.

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.

According to the Department of Veterans Services (DVS), the fiscal impact of this proposal is indeterminate as there is not enough information to estimate the costs associated with establishing the Veterans Skills Database.

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.

It is anticipated that the Office of Education and Labor Market Alignment within the Virginia Economic Development Partnership, as well as the Department of Professional and Occupational Regulation (DPOR), and SCHEV can absorb any impact that may result from this bill.

The Office of Data Governance and Analytics (ODGA) indicates that additional staffing resources will be needed to support its responsibilities under this legislation. ODGA estimates that a Senior Business Analyst, Data Architect, and Data Engineer will be needed,

at an estimated annual nongeneral fund cost of \$540,155. ODGA is primarily funded through an internal service fund, whereby the revenues to support its appropriation and operations come from charges paid by other state agencies. Increasing the appropriation for ODGA will result in increased customer state agencies bills. Based on the latest analysis of customer state agency charges, the general fund would be responsible for 47 percent or \$253,873 of these additional charges.

The Department of Social Services (DSS) states that the Virginia Initiative for Education and Work (VIEW) and the Supplemental Nutrition Assistance Employment and Training (SNAP E&T) programs already provide data sets for the databases mentioned in the bill.

The House and the Senate anticipate a fiscal impact of \$4,800 in FY 2024 for participation in the stakeholder group. Travel reimbursement costs are estimated at \$4,960 and signify a fiscal impact to the Secretary of Labor, who can absorb the costs.

Although there may be savings in the impacted programs or support from discretionary WIOA federal funds to help cover the transition costs in creating DWDA, funding of \$5 million or language providing \$5 million in working capital could help ensure successful creation of this new agency.

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; State Council of Higher Education for Virginia; Department for Aging and Rehabilitative Services; Department for the Blind and Vision Impaired; Department of Social Services;; Department of Juvenile Justice; Department of Corrections; Department of Veterans Services; Secretaries of Labor, Commerce and Trade, and Finance; State Board for Community Colleges; Senate of Virginia; House of Delegates; Office of Data Governance and Analytics.

10. Technical Amendment Necessary: None

11. Other Comments: 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. Students enrolled in apprenticeship programs are currently exempt from certain license exams when applying to DPOR's boards for licensure. DPOR estimates that approximately 180 applicants each year who are currently exempt would be required to take exams as a result of this bill unless this Code section is updated to reflect DWDA's new role in administering apprenticeship programs.

This bill is a companion to SB1470.