



MEMORANDUM

TO: HONORABLE MAYOR &
CITY COUNCIL

FROM: John Bailey

SUBJECT: Workplan to Obtain On-the-Job
Training Funds

DATE: February 15, 2013

City Administrator

Date

Approval /s/ Deanna J. Santana

2/15/13

INFORMATION

The purpose of this Information Memo is to provide details about workplan and timeline being implemented by Oakland's Workforce Development staff to secure \$900,000 of on-the-job training funds to support up to 180 dislocated workers in Oakland. These funds would help mitigate the recent loss of federal workforce dollars as a result of administrative flaws from a previous administration (see Background section for more details).

Given Oakland's unemployment rate—which, though declining, is still higher than the state average—the City and Workforce Development (WFD) staff recognize the critical need for workforce funds to ensure that Oakland's residents receive the employment training necessary for sustained employment.

At the invitation of the State of California's Employment Development Department (EDD), City WFD staff is working diligently with EDD to design an on-the-job training program application for up to \$900,000, which will be submitted in early March. EDD strongly supports the City's workplan and approach in this effort, as California and states throughout the country are under pressure to mitigate the profound problem of long-term unemployment through federal Workforce Investment Act (WIA) discretionary funds.

Timeline

At the invitation of EDD, WFD staff plans to submit its Discretionary Grant application to EDD in **early March**. Staff has recommended to EDD that we engage the expertise and services of the WIB's Employer Services Provider, which it is scheduled to approve by the **end of May**. Once the WIB budget and contracts are approved by the Oakland City Council prior to going on summer recess in August, the WFD staff plans to have the new contracts developed and executed by **September 2013**.

Background

In spring 2010, staff in then-Mayor Dellums' office submitted a grant application to the U.S. Department of Labor for a National Emergency On-the-Job Training Grant, which was funded by the American Recovery and Reinvestment Act (ARRA) to provide one-time, on-the-job training opportunities for dislocated workers. An allocation of \$725,462 was awarded in July 2010. The designated direct service providers were Youth Employment Partnership and Volunteers of America Bay Area. The Oakland Private Industry Council was responsible for verifying client eligibility and enrolling the dislocated workers.

However, the grant funds were restricted to a different purpose (on-the-job training) than how the City's program was structured (work experience/re-entry). In addition, selection of the service providers did not follow an RFP process, as required in the grant. These issues were not disclosed until October 2011, more than halfway through the funding period.

When this new Administration discovered these problems, staff worked with the California Employment Development Department, making every effort to correct the contract errors and obtain a three-month extension to the original grant to allow us to expend as much of the grant as possible. When the grant funding period ended in September 2012, for the two reasons cited above, \$600,000 was de-obligated in two separate amounts.

In January 2011, the role of System Administrator of workforce funds transitioned to the City of Oakland. Since that time, the City has staffed the workforce team with qualified professionals, and Mayor Quan has been personally involved in the selection and appointment of members to the Workforce Investment Board to ensure that the Board includes high-caliber, actively engaged members. Through the transition period, workforce staff has enhanced the efficiency and professionalism of the operation; for example, they have streamlined the procedures to contract for services and monitored invoice payments to those agencies providing client services.

EDD Support

EDD and the Department of Labor are very supportive of the direction the Mayor, WIB and City Council have taken over the past two years. The City should be the System Administrator of WIA funds and must have ample capacity to support the work of its service providers to ensure that the funds are managed effectively and produce optimal results.

At the Deputy Chief level, EDD has expressed support for a City-administered on-the-job training program that has a combination of flexibility and quality control to produce optimal results. As long as the WFD office is able to maintain its current level of capacity, which EDD acknowledges in a most positive manner, then Oakland can move beyond the current controversy and focus on doing the work that is needed for its unemployed residents.

Oakland Proposing a Strong Program Design

WFD staff is engaging the expertise of an Employer Services Provider (ESP), which the WIB is in the process of selecting through its competitive Request for Proposal process. The ESP will be responsible for providing technical assistance to the Workforce Investment Board's adult service providers responsible for developing on-the-job training opportunities for dislocated workers, with an emphasis on people who are long-term unemployed (six months and longer).

The strength of this model is that the ESP has no conflict of interest in assisting the City in administering these on-the-job training funds, but rather will serve in a technical assistance and quality control capacity for those providers which will be developing the on-the-job training opportunities for their WIA-enrolled dislocated workers. The ESP will also identify and cultivate employers who are interested in and able to create on-the-job training positions, with the requirement that they will retain these clients beyond the term of the on-the-job training contract, which will be \$4,000.

In most instances, these employers will be in a position to claim State Enterprise Zone hiring Tax Credits, which over a period of five years can total more than \$37,000 in State income tax payments.

EDD has expressed strong interest in working with the Oakland WIB and WFD staff in developing this program model to ensure it has the flexible features and controls built in to succeed. From staff's point of view, this is an extraordinary vote of confidence from EDD in the City's and Oakland WIB's heightened capacity to support such a program, procure third-party services appropriately, remove all perception of conflict of interest, and meet the goals of enabling as many as 180 dislocated workers to obtain gainful employment.

Procurement of Services and Oversight

The adult service providers, including the Comprehensive One-Stop Career Center and Neighborhood Career Center operators, will be selected on the same timeline as the ESP. The process for allocating the on-the-job training funds among these adult service providers has not yet been developed. Agencies with the greatest capacity to generate quality on-the-job training opportunities will receive a high level of consideration. The WIB Employer Strategies Committee and System Leadership Committee will play integral roles in helping to shape, support and monitor this new on-the-job training program.

Lessons Learned and Staying the Course

At the Deputy Chief level, EDD is supportive of Oakland because it understands the problems the City faced during the transition of becoming the WIA System Administrator, and believes the City and the Oakland WIB are moving in a positive and functional direction. Lessons learned from the NEG/OJT experience include the following:

- Clearly understand the goals and parameters of the funding;

- Competitively procure the services of qualified providers;
- Provide strong program and technical support and guidance for the providers;
- Ensure adequate cash flow through timely contract execution, cash advances, and quick reimbursement processes; and,
- Develop and maintain strong, real-time oversight and quality control measures to ensure optimal success.

With the City of Oakland and the Oakland WIB support, this on-the-job training program and other WIA-funded programs will receive the support and guidance they need to meet the employment needs of Oakland residents. The transition of System Administration to the City is nearly accomplished. The fact that EDD is so supportive of Oakland's on-the-job training Discretionary Fund application is an encouraging indication that the City is moving forward on the work at hand—enabling Oakland residents to obtain gainful employment.

Respectfully submitted,

/s/

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For questions, please contact John Bailey, Executive Director, Workforce Investment Board, at (510) 238-6440.