

**SUBJECT: Economic Development and WIA Funds**

**REFERENCE:** Workforce Investment Act of 1998; 20 CFR Sections 665.320, 667.262, 667.264, 667.268, and 667.269; Nebraska Strategic Workforce Investment Plan; Local Plan Instructions; Relocation Inducement policy; State Dislocated Worker Unit Rapid Response Procedures policy; On-the-Job Training policy; and TEGL 13-07.

**BACKGROUND:** In February 2006, the U.S. Department of Labor Employment and Training Administration (ETA) launched the Workforce Innovation in Regional Economic Development (WIRED) Initiative focusing on the role of talent development in driving regional economic competitiveness, increased job growth, and new opportunities for American workers. The WIRED framework brings together all the key players in a region to leverage their collective public and private sector assets and resources. This allows for the development of strategies that focus on infrastructure, investment, and talent development that optimize innovation and successful regional economic transformation. Since talent development drives economic prosperity by collaborating with economic development to identify emerging industries, the workforce system must fully connect to and align with state and regional economic development and growth strategies. With the full integration of workforce development, economic development, and education systems in support of economic competitiveness, questions arise related to using WIA funds in support of economic development. Under the Workforce Investment Act there are allowable activities and prohibitions related to economic development. This policy provides guidance to make these distinctions.

**POLICY: Foundational Principles**

Development of State and Local Plans

Workforce development is key to driving the economic health and growth of states and regions. This principle is evident in State and Local plans.

1. The narrative in the State Plan describes how the agencies involved in the public workforce investment system interrelate on workforce and economic development issues.
2. The State Plan includes an economic and labor market analysis.
3. The Local Plan Instructions require the local areas to analyze the local economic and labor market.

Funding Activities Directly Related to Training for Eligible Individuals

Workforce Investment Act funds may be used for employment generating activities, economic development activities, investment in revolving loan funds, capitalization of businesses, and similar

activities **if** they are directly related to training for eligible individuals.

Examples of employer outreach and job development activities directly related to training for eligible individuals include:

1. Contacts with potential employers for the purpose of placement of WIA participants;
2. Participation in business associations (such as chambers of commerce), joint labor management committees, labor associations, and resource centers;
3. WIA staff participation on economic development boards and commissions, and work with economic development agencies to:
  - provide information about WIA programs;
  - assist in making informed decisions about community job training needs; and
  - promote the use of first source hiring agreements and enterprise zone vouchering services.
4. Active participation in local business resource centers (incubators) to provide technical assistance to small and new business to reduce the rate of business failure;
5. Subscriptions to relevant publications;
6. General dissemination of information on WIA programs and activities;
7. The conduct of labor market surveys;
8. The development of on-the-job training opportunities; and
9. Other allowable WIA activities in the private sector including:
  - Direct employer/business service delivery to new or expanded businesses that result from economic development efforts;
  - Services routinely provided to employers by the workforce system, such as workforce and economic information, identification of available training resources for eligible individuals who are, or will be, employed by a business, or support in recruitment and hiring when provided to a new or expanding business (also being supported by economic development efforts).

#### Funding Training in High Growth, High Demand Occupations

Workforce Investment Act funds may be used for strategic investments in education and training for the skills required in regionally defined high growth, high demand occupations that are critical to the health and growth of the state or regional economy.

Activities may include:

1. training for eligible job applicants;
2. newly hired workers; or
3. incumbent workers of new or existing businesses.

However, as discussed in the State Relocation Inducement policy there are restrictions on the use of WIA funding in the case of a business relocation that results in loss of employment for any employee at the original location. In that circumstance, training may be offered only after 120 days from the date of relocation.

Eligible individuals for training for skills required in high growth, high demand occupations are determined by the eligibility rules of each of the WIA funding streams and shall be addressed in the Local plans.

#### Funding Rapid Response Activities

Assist in devising and overseeing strategies for:

1. Layoff aversion, such as prefeasibility studies of avoiding a plant closure through an option for a company or group (including the workers) to purchase the plant or company and continue it in operation;
2. Incumbent worker training, including employer loan programs for employee skill upgrading; and
3. Linkages with economic development activities at the Federal, State and local levels, including Federal Department of Commerce programs and available State and local business retention and recruitment activities.

#### **Unallowable Activities**

Workforce Investment Act funds may not be used for the following activities:

1. Employment generating activities, economic development activities, investment in revolving loan funds, capitalization of businesses, investment in contract bidding resource centers, and similar activities not directly related to training for eligible individuals [WIA Section 181(e)].
2. Foreign travel, regardless of whether it is associated with economic development [WIA Section 181(e)].
3. Wages of incumbent employees during their participation in economic development activities provided through a statewide workforce investment system [20 CFR 667.264(a)(1)]. This provision is designed to prohibit the use of WIA funds for job creation and wage subsidies for incumbent workers. However, this prohibition does not preclude the workforce system from

providing on-the-job training (OJT) as an allowable activity for eligible employed workers. Per 20 CFR 663.710(a), OJT payments to employers are deemed to be compensation for the extraordinary costs associated with training participants and the costs associated with the lower productivity of participants in training, rather than wage subsidies to employers.

4. Activities to encourage or induce a business, or part of a business, to relocate from any location in the United States, if the relocation results in any employee losing his or her job at the original location [WIA Section 181(d)(1)].
5. Customized training, skill training, on-the-job training, or company-specific assessments of job applicants or employees of relocated companies for 120 days if the relocation resulted in loss of employment for any employee at the original location [WIA Section 181(d)(2)]. As identified in the Relocation Inducement policy, Nebraska has developed review criteria and a documentation process for use at the local level to ensure this requirement is met.

#### **Allowable Activities Supporting Economic Development**

1. Working collaboratively to conduct an economic and labor market analysis to identify the state or region's economic assets and gaps as it relates to talent development, which may include:
  - Bringing together a wide array of data sources, including in-person interviews with business and industry;
  - Analyzing the data to evaluate strengths and weaknesses and areas of opportunity in a state or regional economy;
  - Assessing the skills of the available labor pool;
  - Conducting industry-cluster analysis for regional planning and to inform on the need for talent and skills; and
  - Tracking economic data to measure the outcomes of talent development strategies and interventions.
2. Participation in the development and implementation of workforce and talent strategies as part of a broader state or regional economic development strategic plan. Activities may include:
  - Participation in actual economic development planning sessions for the purpose of developing strategies for workforce/talent development.
  - Working collaboratively with economic developers to educate businesses that are expanding or locating (provided that the business is not relocating so as to cause layoffs in another area of the country) to the state or region

for the purpose of providing information on available resources to support workforce education and training activities; to support hiring activities; and to provide information on the local economy and labor market.

- Working collaboratively with a wide array of strategic partners that may include community leaders, business and industry, educators, economic developers, and others to develop and implement solutions to the workforce challenges faced by the community that are impeding economic growth. Examples may include strategies to address the high school dropout rate, or to develop Limited English Proficiency (LEP) strategies for a large immigrant population, or providing entrepreneurial training to encourage new business start-ups.
  - Developing workforce strategies that build the skills of incumbent workers to meet the changing skill needs of business and industry, enhance productivity, and increase the viability of existing businesses in order to avoid business failure or plant closures that result in layoffs.
3. Providing individual training accounts, customized training, and OJT training for eligible individuals to support careers in high growth, high demand, and economically critical industries within a regional economy.
  4. Development and dissemination of career information and available education pathways to support the skill needs of a regional economy.
  5. Talent strategies that support the education and training of individuals who want to start a new business or that support the growth of an existing small business. Activities could include entrepreneurship training at a local community college or providing customized training to a small business to support their growth and expansion.