



The State of Workforce Spending in Kentucky

By Kathleen Bolter, Ph.D. | August, 2019



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Key Points

Total Workforce Spending in Kentucky equals

1.04 billion dollars

Total State Spending: 681.7 million dollars

Total Federal Spending: 359.6 million dollars

State spending includes **the entire Kentucky Community and Technical College system**. When this system is excluded, total state spending is only **186.3 million dollars**.

Overall workforce spending in Kentucky **decreased by 6.8%** between 2013 and 2017.

Federal workforce spending in Kentucky **decreased by 29.7%** between 2013 and 2017.

Total State workforce spending **increased by 12.3%** between 2013 and 2017.

State workforce spending for KCTC **increased by 10.4%** between 2013 and 2017.

State workforce spending for all other programs* **decreased by 3.6%** between 2013 and 2017.

The workforce system in Kentucky involves **5 different state agencies** and numerous state and federal funding streams. **No state funding is provided for local Workforce Investment Boards.**

*Excludes the Work Ready Skills Initiative



Since the end of the Great Recession, Kentucky's economy

has shown considerable economic growth. Employment in the state has grown by 10% adding over 170,000 private sector jobs since 2009. The statewide unemployment rate has fallen to 4.2%, down from 10.7% at the height of the recession. The Commonwealth of Kentucky has now been living through one of the longest economic recoveries on record.

While the economy has been improving for many Kentuckians, making jobs more plentiful, employers lament they cannot find qualified workers for the jobs that are available. A 2017 Bridging the Talent Gap Project found 84% of employers in Kentucky have difficulty finding qualified candidates.¹ This issue has been recognized by State law makers who have made workforce development a top priority. While political will certainly seems to be in place for workforce development, this commitment has not always translated into funding for workforce training programs.

This analysis of real spending on workforce services finds that funding in real dollars for these programs has decreased by 6.8% since 2013. Total workforce spending for 2017 was just over \$1.04 billion dollars, with the state appropriating \$681.7 million dollars and federal government contributing \$359.6 million dollars. These numbers count the entire community college system in Kentucky. If that system is removed from the calculation, state appropriations for workforce spending decline to only \$186.3 million dollars. To put that in perspective if you count only state funding on workforce development (excluding the community college system) and the state of Kentucky were to provide workforce training to every adult over 25 without

a post-secondary credential, they would spend only \$130 dollars per person on training. This is equivalent to less than 1 credit hour of tuition at a community college.²

Several factors have combined to influence the state of workforce spending today. Firstly, extensive cuts to federal spending is a large source of this decline. Overall, federal spending on workforce programs in Kentucky has fallen by 29.7% since 2013. This reduction in federal spending has been met with modest increases in state spending. Between 2013 and 2017, total state spending for workforce development increased by 12.3%. Most

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of this increase has been concentrated within the Kentucky Community and Technical College (KCTC) system which saw an overall increase of 10.4% in state funding over this time period. Other workforce training programs saw a 17.7% increase in spending, however, that bump was the result of a temporary state bond initiative that was mostly taken advantage of by community colleges. When the temporary program is excluded, all other workforce programs have seen state spending decline by 3.6% in real dollars.

How workforce training systems are funded bears many consequences for success in the post-industrial economy which increasingly rewards

better educated workers with higher skill levels and more credentials. The coming wave of automation is likely to exacerbate the divide between workers with training and those without causing those lacking education beyond a high school degree to fall even further behind. Today, 14.8% of Kentucky residents over the age of 25 do not have a high school diploma or equivalent. One-third of Kentuckians (33.1%) count a high school diploma as their terminal degree.³ Those lacking educational credentials are twice as likely to live in poverty than those with a degree.

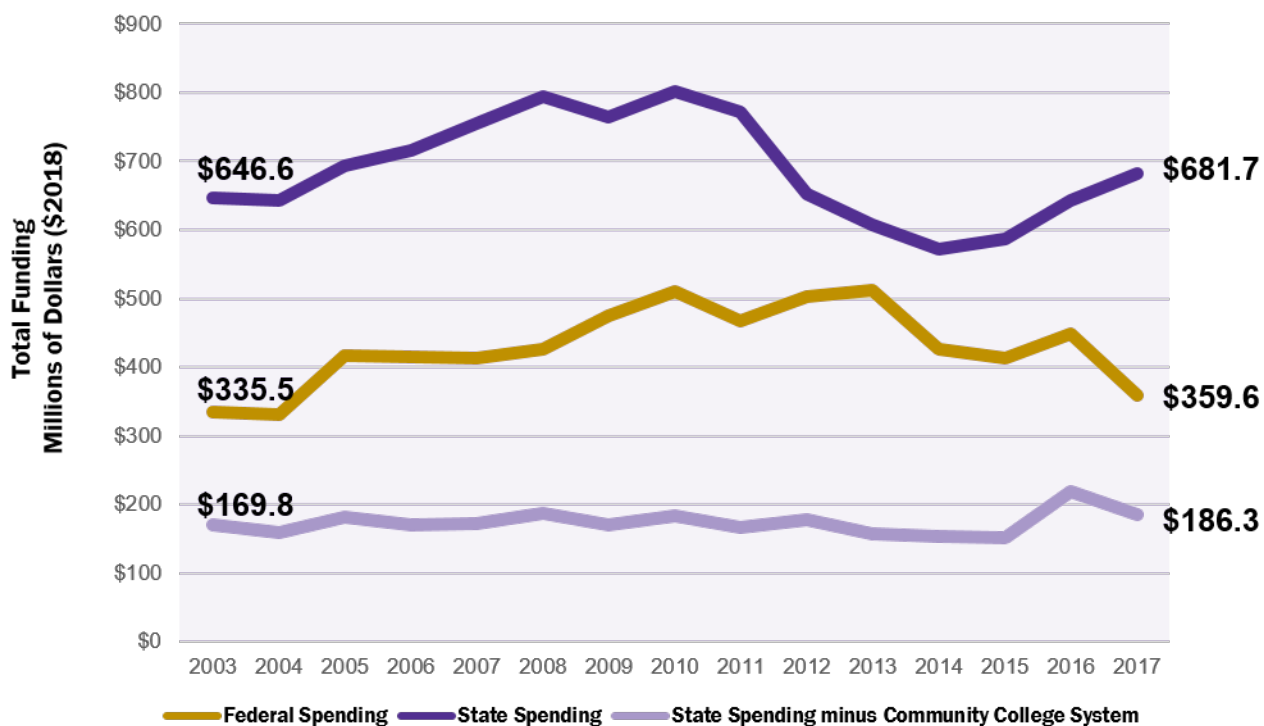
For many Kentuckians who are detached from the labor force, public sector funded training provides the only reliable opportunity to reap the benefits of economic growth. Today's economy

requires the lifelong acquisition of skills and workforce training programs provide individuals the conduit to obtain these skills.

Kentucky is one of several states attempting to place work requirements on Medicaid recipients. Under the proposed Kentucky law, individuals must either be working, participating in community service, searching for jobs, attending school or vocational training programs, or receiving treatment for a substance use disorder. This requirement has the potential to drive thousands of people into the workforce development system and makes understanding the current capacity of workforce development programs a pressing matter.

This report lays out both current and historical appropriations for workforce training in the

Total Real Spending on Workforce Development by Source



Sources: State Biannual Budgets, State Expenditure Reports, Federal State Spending Reports

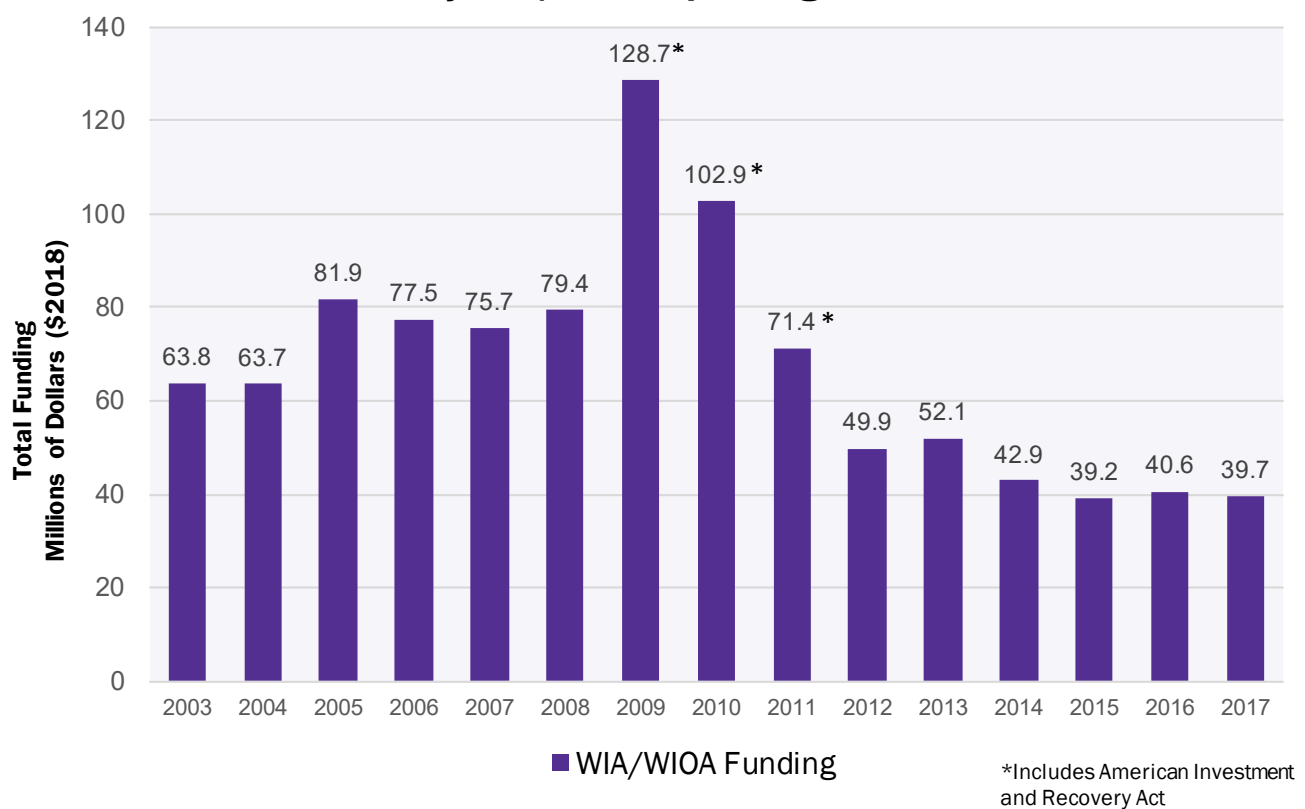
State of Kentucky. Information for this study comes from the analysis of publicly available state budgets, state and federal expenditure reports, and agency financial reports. In my analysis, I chart the changes in funding levels from 2003 to 2017. **Funding levels are corrected for inflation and all information is presented in 2018 dollars.**

Workforce Funding Structure and Organization

The workforce system in Kentucky is a complicated structure that involves five different state agencies and numerous state and federal funding streams. The bulk of workforce training programs are administered by the Education and Workforce

Development Cabinet under the Workforce Investment and Opportunity Act of 2014 (WIOA). Under WIOA guidelines, Matt Bevin, the Kentucky State Governor, is required to develop and plan for the workforce investment system. This includes appointing the state workforce investment board to provide oversight to local workforce investment boards which receive funds and deliver services in their workforce investment area. Most workforce investment areas were established by the Job Training Partnership Act of 1982 (JTPA) and were grandfathered into the Workforce Investment Act of 1998 (WIA). The purpose of local workforce investment boards is to ensure community and private sector input into the design and implementation workforce development programs.

Kentucky WIA/WIOA Spending in Real Dollars



Members of the business community make up the majority of local boards. However, local boards also have members of the educational system, labor unions, economic development entities and other relevant local organizations.⁴

Each workforce investment area is required to have a one-stop system for the delivery of workforce services. The American Job Center network administers six core programs:

- Adult programs funded under WIOA Title I
- Dislocated Worker programs funded under WIOA Title I
- Youth programs funded under WIOA Title I
- Adult Education and Family Literacy Programs funded under WIOA Title II
- Employment Services funded under the Wagner-Peyser Act of 1933 and amended under Title III of WIOA
- Vocational Rehabilitation funded under the Rehabilitation Act of 1973 and amended by title IV of WIOA.

Under WIOA, the American Job Centers and their partners work to provide job seekers with skills and credentials to find employment that enables them to earn a family sustaining wage. Job Centers work with disadvantaged populations such as individuals with disabilities, non-native English speakers, and those with low levels of literacy to obtain and retain jobs. They also provide essential coordination between businesses and employees to help employers easily identify and hire skilled workers. Under the current Kentucky funding model, local workforce investment boards receive no state money.

Also, as part of WIOA, Kentucky Adult Education administers the Adult Education and Literacy Funding Program also known as KY Skills U. The aim of the program is to improve the

educational status of adult Kentuckians who do not have a high-school diploma, have a low-level of literacy, and are non-native English Speakers. Participants in this program can earn GEDs and improve Reading and English skills. KY Skills U receives both federal and state funding.⁵

The Cabinet of Health and Family Services is also responsible for administering primarily federally funded programs. The Personal Responsibility and Work Opportunity Reconciliation Act (PRWORA) of 1996, created the Temporary Assistance for Needy Families (TANF) block grant which combines federal money with matching funds from the state. The goals of TANF are quite broad and states are given a great deal of leeway as to which programs they use funds to support and how individuals are able to access such funding. Currently, to receive TANF benefits in Kentucky individuals must be either unemployed (looking for work) or working in a very low-income job. The TANF program in Kentucky currently designates around 15% of its funding to workforce activities and supports, above the national average of 14% and 12th ranked in the nation on total TANF workforce spending.⁶

One workforce training program administered using TANF funding is the Ready-to-Work program which helps TANF recipients pursue postsecondary degrees and credentials at Kentucky community and technical colleges. The Ready-to-Work program combines TANF funded work-study (and additional federally funded work-study) to give TANF recipients the opportunity to earn an income while going to school. The Cabinet of Health and Family Services also administers the Senior Community Service Employment Program (SCSEP) which is funded from a federal grant unique from TANF. This program matches eligible older adults with part-time jobs in community service

organizations.

The Department of Education offers Career and Technical Education programs funded with both state general and restricted funds, as well as, funding provided by the federal Carl D. Perkins Vocational and Applied Technology Education Act of 1998. The agency manages 53 area technology centers designed to provide education and technical training to high-school students and incumbent workers. Students at these centers are able to receive certifications in a variety of technical fields and are

exposed to different career pathways that primarily pay middle-class wages.

The Kentucky Community and Technical College (KCTC) system also plays an important role in workforce development. There are 16 community and technical colleges operating at more than 70 locations across the state. The KCTC system serves as the home and local partner for many workforce initiatives, as well as a provider of certificates and associate degrees. Funding for the KCTC system comes from several different categories. Student

The Work Ready Scholarship

The Work Ready Scholarship was proposed by Kentucky House Democrats in 2016 to serve as a “last dollar” scholarship to fund community college tuition. In April 2016, the Kentucky legislature passed HB626 a bill intended to implement free tuition for all two-year associate degrees. Later that month, Governor Matt Bevin vetoed that bill, but left a \$15.9 million dollar appropriation in the budget to fund an alternate version of the scholarship. Issued by Executive Order, the Work Ready Scholarship allows students to pursue a two-year degree or certificates within health care, transportation/logistics, advanced manufacturing, business services/IT, and construction, areas that have been deemed “high-demand workforce sectors.”

The Work Ready Scholarship comes with some catches. To qualify, one must be a high school graduate or have completed a GED, although dual credit high school students may also qualify. Additionally, individuals are disqualified if they have already earned an associate degree or higher meaning those that seek retraining cannot access the scholarship. The scholarship does not cover additional expenses such as books or course fees which can comprise a significant amount of out-of-pocket cost for those obtaining a degree. To receive the Work Ready Scholarship, students do not need to be enrolled full-time, a feature which benefits those who wish to work while earning their degree, parents of small children, and students with disabilities. However, the scholarship does expire after 4 academic terms, meaning students must enroll full-time for the scholarship to cover all of their tuition, at least in the case of associate degree completion.

While \$15.9 million dollars were appropriated for the scholarship for the 2017-2018 fiscal year, only \$2.5 million dollars have been appropriated for subsequent years. Since the scholarship is available on a first-come, first-serve basis, there is no guarantee of receiving the scholarship over multiple years of study.⁴⁰

tuition paid by the student or another source accounts for 27% of total funding. Government grants account for 37% of total funding. State appropriations represent 21% of total funding, while other sources comprise the additional 15%.⁷

Finally, the Bluegrass State Skills Corporation (BSSC) works to stimulate economic development through customized business and industry-specific skills training programs. The BSSC works to administer the Skills Training Investment Credit which offers state income tax credits for companies to offset the costs for approved training programs provided to incumbent employees. Companies must be engaged in certain sectors of the economy to qualify for the credit.⁸

Analysis of Workforce Spending Trends

Our analysis of the 2016-2018 enacted budget appropriations found that approximately \$1.04 billion dollars in state and federal money went to workforce development programs including adult education, employment and training, and workforce services. Excluded from the analysis are the K-12 educational system as well as post-secondary institutions offering bachelor's degrees or higher. The Kentucky Community and Technical College system is included in the calculation as it serves as an essential partner for many workforce investment boards and houses a significant number of training facilities. However, it should be noted that including the entire KCTC system does serve to bias the estimates as not all KCTC money is dedicated solely to workforce training. If the KCTC system were not included in estimates of workforce spending, total spending, including federal and state money, for the

Why do your numbers differ from what the State is reporting?

The workforce development funding information for this study was developed by examining publically available documents including state budgets, state and federal expenditure reports, and agency financial reports. The estimates are in 2018 dollars meaning they have been adjusted for inflation throughout the report. The 1.2 billion dollar estimate from the state is derived from a 2018 Chamber of Commerce Report written by the Kentucky Chamber Workforce Center. Data for that report was sourced through key stakeholder interviews with program directors and is not publically verifiable. There are also questions to whether or not the numbers are up-to-date as certain programs (Metropolitan College Tax Credit, Longitudinal Data Grant, etc.) either no longer exist or were temporary projects counted as continuing programs. This study counts only money appropriated to workforce development. For example, the KCWC report includes all of TANF as workforce spending, this report includes only the amount of TANF money appropriated towards workforce training and support (15% of the total funding). Finally, this report includes some sources of workforce funding originally omitted from the state's estimates including Office of the Blind, Employer and Placement Services, and Support Education Excellence in Kentucky (SEEK)-Vocational Training.

State of Kentucky would only total \$360.8 million dollars, reducing the total reported number by one-third.

The decrease in funding for workforce development is primarily the result of federal disinvestment in funding over the last decade. In total, federal contributions to workforce spending

In total, federal contributions to workforce spending declined by 151.9 million real dollars over the past 5 years.

declined by \$151.9 million real dollars over the past 5 years.⁹ State spending during this time period actually rose by \$74.8 million dollars. Federal spending on the Workforce Investment and Opportunity Act and TANF decreased by \$12.4 million dollars and \$11.1 million dollars, respectfully, over this time period. Additionally, federal funding for KCTCS decreased by \$123.8 million dollars.

The reductions over time to WIA/WIOA have been particularly damaging to workforce development. WIOA is by far the single-most accessible resource for providing job training services and access to employment in the state. Since 2003, total funding for WIA/WIOA has decreased by 37.3% in real dollars. Combined with a 33.6% reduction in funding for Wagner-Peyser, this represents a significant loss in workforce spending dollars to the State of Kentucky from the federal government.

While federal reductions have been especially harmful for workforce development, the

state has still worked to create a comprehensive workforce development plan. The primary emphasis for state workforce spending has focused on improving skills in high-demand workforce sectors including health care, transportation/logistics, advanced manufacturing, business services/IT and construction. The state government invested in these areas through the Work Ready Skills Initiative

Work Ready Skills Initiative

In July of 2016, Governor Matt Bevin announced the launch of the Work Ready Skills Initiative, a \$100 million statewide bond program. The program enabled career and technical education facilities to upgrade equipment and strengthen partnerships between the private sector and educational facilities. Overall, the program generated over 40 projects and \$150 million in locally matched funds. The program was successful in creating collaborations and ensuring workers are trained on up-to-date equipment and processes.⁴¹

and Work Ready Scholarship. Following severe cuts to the KCTC system in the years following the recession, state funding for the community college system has been modestly increasing in recent years.

In examining the workforce system in Kentucky, three major issues arise in determining the direction and concentration of funding for workforce development programs. Firstly, should funding focus on helping workers acquire middle-skills jobs? Or should funding focus be on helping low-skill workers obtain and retain employment? Secondly, as funding for programs that primarily help low-skill workers

declines, how will the state address workforce barriers? And finally, if the state continues to provide no funding for workforce investment boards, how will they work to engage employers in the workforce development system?

Middle-skills vs. Low-skills job training

Currently, the state is devoting a large proportion of its workforce budget preparing Kentuckians to take middle-skill jobs. The National Skills Coalition classifies middle-skill jobs as those that “require some postsecondary training but not a four-year degree.”¹⁰ The Commonwealth has gone a step further and prioritized certain sectors of the economy as “high demand.” These include health care, transportation/logistics, advanced manufacturing, business services/IT and construction. The reliance on this strategy is predicted to yield many benefits for the state.

Since the early 1970’s the earnings of high-school only educated workers decreased significantly compared to workers with more than a high-school education.¹¹ For workers with only a high-school education (one-third of Kentuckians), “employment in higher-wage sectors of the economy—such as construction, manufacturing, transportation, or health services—has led to higher rates of advancement than employment elsewhere.”¹² For many low-skill workers, finding employment in such sectors of the economy is a difficult task, something broad-based workforce training programs help to overcome.

Programs emphasizing middle-skills training have received the most attention from the state in recent years. While this approach has distinct

merits, it also moves resources away from the most disadvantaged clients. The reliance on middle-skills training programs needs to be weighed against the pros and cons of its implementation. There has been a declining interest over time in funding workforce programs that train the most disadvantaged adults. Since 2003, federal spending on WIOA has decreased by 37.3%. Under WIOA, regardless of funding availability, priority must be given to public assistance recipients, low-income adults, and adults deficient in basic skills. As federal funding for this program has declined, the ability to provide services for all those that qualify has decreased.

The focus of the state primarily on middle-skill job training does leave out a significant portion of potential workforce development participants in Kentucky.

For the particularly disadvantaged, general workforce training generates modest impacts that are generally cost-effective, but may not significantly improve the lives of the poor. More intensive interventions are generally needed in order to see more positive gains.¹³ However, the analysis of most programs fails to examine their positive benefits beyond average employment and earnings. Training for disadvantaged workers is likely to yield societal benefits in areas beyond employment such as increases in health for both participants and their children¹⁴ and reduction in criminal activity.¹⁵

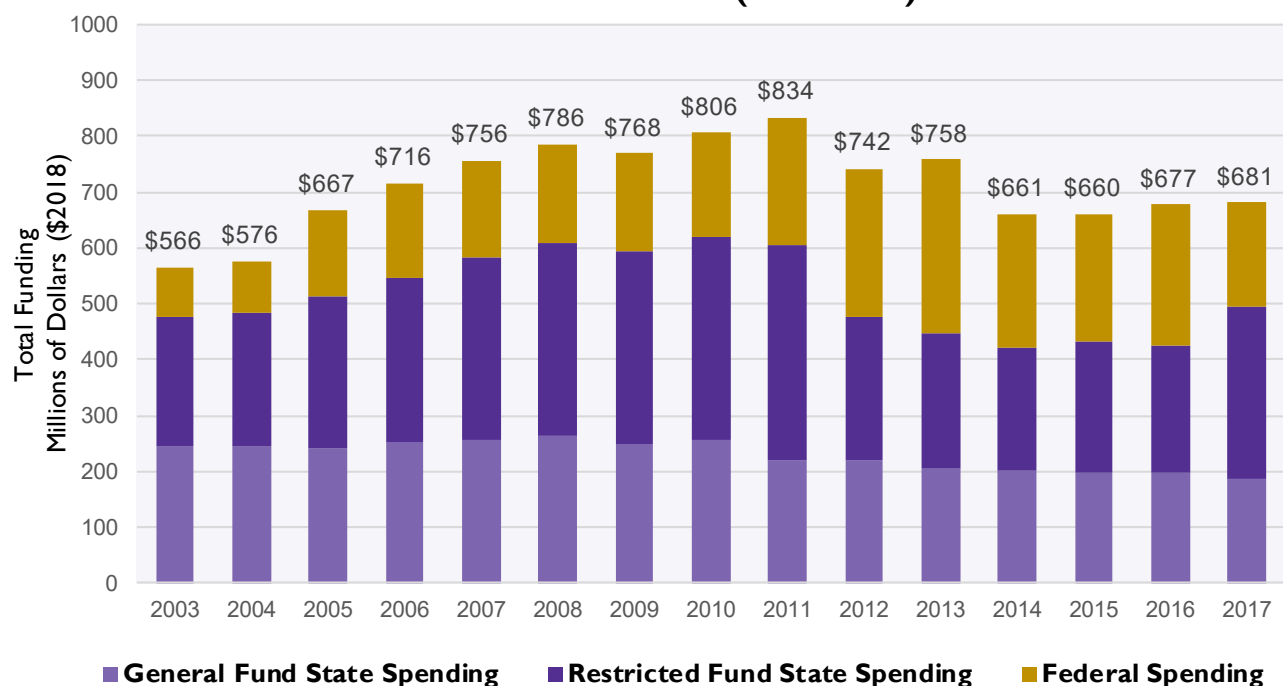
Lack of work readiness impacts the soft-skills disadvantaged workers need to effectively perform their jobs. Several studies have found many disadvantaged workers have difficulty understanding workplace norms and behaviors. These include the importance of punctuality, the gravity of absenteeism, contempt for the authority, and responsibility in the workplace.¹⁶ Workforce training programs have been proven to be effective tools in helping disadvantaged workers learn needed skills for employment.

Relying on the community college system for training of disadvantaged adults has many drawbacks. Firstly, Pell grants, which fund studies for low-income students, often exclude short-term certifications or remedial classes. Secondly, to benefit from community college education, one

must be able to meet admissions and job licensing requirements, such as having a high school diploma and basic literacy and numeracy levels. Thirdly, students at community colleges are not always provided with adequate counseling and information concerning occupational training courses and the employment potential in those areas.¹⁷

However, when successful, the returns on community college education on income appear to be quite strong, especially for low-income and disadvantaged adults. For dislocated adult workers, community college training in more technical fields generates positive returns in regard to earnings.¹⁸ A study of returns to community college in the Commonwealth of Kentucky found that associate degrees had an associated \$6,000 dollar increase in annual earnings for men and \$8,000 dollar

Total Spending Kentucky Community and Technical College System In Real Dollars (2003-2017)



Sources: State Biannual Budgets, State Expenditure Reports, Federal State Spending Reports

increase in annual earnings for women, with health fields generating the highest returns. Certificates generated an additional earning increase of \$1,200 dollars a year.¹⁹ Even if students do not obtain a certificate, each year of schooling is associated with a wage increase of 5% to 10%.²⁰

Both the workforce investment system and community college system play important roles in workforce development. The workforce investment system provides necessary training for low-income, disadvantaged workers to receive investments in soft-skills, vocational training, and job preparation. The workforce investment system is a key partner in keeping the unemployment rate in Kentucky low and labor force participation high. The community college system allows people to invest in their skills to further their education by earning certificates and associate degrees and training for middle-skill jobs. It is easier to estimate return on investment for community colleges because increases in education are directly tied to increases in earnings. Both serve important purposes and different constituents.

The focus of the state primarily on middle-skill job training leaves out a significant portion of potential workforce development participants in Kentucky. Those lacking basic educational credentials, literacy, numeracy, and writing skills, and those facing significant workforce barriers are unlikely to be able to immediately enroll in the programs provided at the community college level. Providing more resources to reach the populations who require the greatest amount of skills investment is paramount in creating access to the educational opportunities that provide significant income gains for Kentuckians. As of now, there is a breakdown in the linkage between these programs and those that particularly focus on helping disadvantaged workers.

KEY POINT

The state has prioritized funding for programs that focus on helping workers obtain middle-skill jobs through the KCTC system. This has primarily been in high-demand fields such as health care, transportation/logistics, advanced manufacturing, business services/IT and construction. While this policy benefits many workers, many disadvantaged adults cannot participate in these trainings because they lack a high school degree or credential and the literacy, numeracy, and writing skills to enroll in a community college. The requirements of the Work Ready Scholarship provide an example for how many Kentuckians will be unable to access training opportunities. Workforce development for disadvantaged workers, primarily funded through Federal funds, has seen its funding decline by one-third in recent years.

Workforce Barriers

Another issue that is caused by underfunding workforce programs is it diminishes the ability of such programs to provide wrap-around services, including transportation, attending to physical and mental health issues, and childcare, that help potential employees find jobs. These issues not only impact the ability of workers needing skills training to attend training itself, but also impact the ability of such workers to find and retain jobs. Transportation problems, physical health issues, and child care are the most frequent sources of

absenteeism among workers making them important issues to address in helping workers complete their training and find stable employment.²¹

The most successful programs helping disadvantaged adults:

- Involve education and training (not necessarily at a community college) that give workers a post-secondary credential.
- Supply direct ties to employers and industries that provide well-paying jobs in key sectors.
- Provide additional supports and services that help workers deal with problems (such as transportation or child care) that arise during training or beyond.²²

Workers in need of skills training are more likely to live in central cities and rural areas. This limits access to available jobs as many low-skill workers live in job-poor neighborhoods and lack reliable forms of transportation that would enable them to procure employment in suburban areas experiencing higher rates of job growth.²³ One study found higher-wage employers tend to be located relatively far away from the neighborhoods in which low-wage earners live.²⁴ For low-skill workers, there is a strong positive relationship between access to automobiles, employment, and job retention.²⁵

Many workers needing skills training face physical and/or mental health limitations. A reported 9% of low-skill workers indicate they are in poor health compared to 6% of average workers.²⁶ This causes several disadvantages for low-skill workers by making them less able to perform certain tasks or follow set work schedules. Additionally, low-skill workers in poor health increase the employer's cost

of providing benefits.²⁷ Furthermore, individuals with mental health issues are more vulnerable to interpersonal problems and irritability.²⁸ This has negative consequences in regard to job retention for low-skill workers as they may lose their employment due to confrontation with co-workers and supervisors, lack of punctuality or absenteeism, or violations of workplace rules and norms.²⁹

Finally, workers needing skills training, especially those with young children, face challenges in procuring reliable childcare. A shortage of child care during nonstandard hours and for age groups such as infants limits employment options for

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low-skill workers. The health of children, and need for emergency childcare, also impacts the hours of work single-parents are able to effectively perform. However, this impact does not extend to overall employment rates.³⁰ Providing subsidies and other programs designed to increase access to childcare has been shown to increase employment among low-skill workers.³¹

Additional supports are a critical component of funding effective workforce training programs for disadvantaged adults. While most programs acknowledge the need for such services, the ability to coordinate and provide supports is hindered by lack of funding for such investments. Studies of workforce training programs have shown that

Medicaid Work Requirements

The changes to Medicaid and SNAP eligibility being proposed by the current administration need to be examined within the greater context of the workforce development system in Kentucky. The Bevin administration is currently proposing that eligibility for Medicaid be conditional for adults 19 to 64 based on performing some form of community engagement. Qualifying activities include working, participating in community service, searching for jobs, attending school or vocational training programs, or receiving treatment for a substance abuse disorder. Exemptions are given for pregnant women, primary caregivers of dependent minors or disabled adults, full-time students, and people who are medically frail.⁴² The logic behind the work requirements is they will make Medicaid expansion less costly to the state by moving some adults off the program so the state has enough money to help other enrollees.⁴³

A recent study by the Urban Institute found that around 357,000 people (55% of all Medicaid recipients) would be affected by this requirement. The primary groups impacted by this requirement are those that are working, but not necessarily in steady jobs that provide the required average of 80 hours a month throughout the year and those that are not working. The first group is less likely to live in poverty, more likely to already be employed, and better educated than other Medicaid recipients. This group (169,000 enrollees) would likely benefit from the training options offered under the current workforce development system. The second group (188,000 enrollees) is substantially older, more likely to live in deep poverty, and less educated (25% have less than a high-school education). This group faces severe workforce barriers including lack of access to broadband internet (79%), no access to a vehicle (12%), and at least one serious health limitation (41%). Workforce training programs that provide wrap-around services are needed to help this group find employment. These are the type of programs currently facing declining funding.⁴⁴

Implementing an additional requirement to obtaining Medicaid means more people will seek out workforce development services. The current direction of the workforce development system will benefit just under half of current enrollees. For the other half, participating in workforce development and finding employment will be exceptionally difficult. These workers face significant barriers to employment requiring more substantive programs to help them to complete training and find jobs. The state currently provides very little funding to such programs and implementing such a requirement without additional funding for training will make it difficult for programs to effectively provide services.

helping workers overcome these barriers produces more robust outcomes as job retention increases and workers are more likely to complete their training programs.

KEY POINT

A decrease in funding has made it difficult for programs to provide wrap-around services such as transportation, physical and mental health interventions, and childcare access. This has particularly reduced the ability of programs aimed at helping disadvantaged adults improve soft-skills and receive skills training. A lack of these services within the workforce development system, will likely serve as an impediment to employment under the currently proposed Medicaid work requirement.

Employer Engagement

Engaging employers in the workforce development system is one of the key features of WIOA. However, despite this push from the federal government most employers remain unengaged with the workforce system. This may be the result of federal policy design rather than a reluctance on the part of employers to become involved with the system. Most of WIOA's benchmarks emphasize short-term reemployment rather than longer term training and skills development.³² In Kentucky, only 2.3% of adults who exited WIOA received any form of training.³³

Employer-provided training makes up the

majority of workforce training provided in the United States, however, it is not equitably distributed. Better educated and skilled workers are the most likely to receive employer training.³⁴ Specifically, formal on-the-job training, for those without a college degree is most likely to be provided for white, married, unionized males who have a greater level of work experience and live in prosperous areas.³⁵ Disadvantaged adults with lower education levels and limited work experience are less-likely to receive training from an employer.

State-subsidized, firm-based training programs are beneficial in encouraging businesses to invest in employee skills. Training designed and implemented by employers is immediately responsive to employer needs and likely to benefit

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the employee by increasing their earnings.³⁶ Additionally, it benefits the state with increased taxes paid by expanding competitive businesses and a decreased cost of social programs.³⁷ While employer-provided training is beneficial to employees, it does not help workers that do not have an employer or may no longer have one. Engaging employers may require a better framework of evaluation for workforce development programs. Most measures of workforce training fail to go beyond the "worker" as the unit of analysis and

KY FAME

The Kentucky Federation for Advanced Manufacturing (KY FAME) grew out of a program founded by the Toyota Motor Corp. in 2009 to address the shortage of technically skilled workers. Within the program, participants attend classes two days per week at their local community college and then work an additional 24 hours for a sponsoring employer. Upon completion of the program, students receive an Associate degree and paid work experience. Many of the participants start a full-time job with the sponsor after graduation.⁴⁵ According to the 2016 Annual Report (the latest year for which there is data) since its inception, 459 students have participated in the program. In 2016/2017, 103 companies sponsored participants in the program. When people understand what it takes to succeed in a job, they are more likely to complete their program and choose a job that is right for them.⁴⁶

The apprenticeship model provides an exciting opportunity for employers to develop the pipelines they need for skilled trades. Programs combining classroom and workplace training tend to have greater positive impacts than programs employing classroom and workplace training separately.⁴⁷ Work-and-learn programs provide many opportunities for unemployed and underemployed people as they allow them to earn an income while attending school. Students are able to graduate from such programs debt free and into good paying high-demand jobs. In order to qualify for participation in such programs, students must be high school graduates (or planning on graduating high school shortly) and must have earned qualifying grades and test scores to enroll in the community college. About 1/3 of Kentucky high school graduates are not ready for college-level work meaning they would need to enroll in remedial courses or be disqualified from these programs.⁴⁸

provide no information on how training increases worker and firm productivity.³⁸ The evidence suggests that the involvement of employers is critical in designing successful workforce programs. Dual administration of programs by employers and educational providers in which career pathways are developed for high school and college students have proved quite promising.³⁹

Engaging more employers in the workforce system is an essential goal for further workforce development, and workforce investment boards are an important partner in this system in two primary ways. Firstly, they coordinate employer

needs through business groups that can express the training and workforce needs of specific industries in the region. Secondly, they work to provide programs to individuals who would be unlikely to receive workforce training from employers themselves. Workforce investment boards provide important linkages in helping employers and workers align training needs and education. Workforce investment boards are also experiencing a serious decline in funding as federal WIOA allocations continue to decrease making it more difficult for them to perform this function.

KEY POINT

A lack of state funding to local workforce investment boards (WIBs) and cuts to federal spending have reduced the capacity of such entities to coordinate employer engagement in the labor market. It has additionally weakened the ability of WIBs to provide needed training. Employer engagement allows workforce systems to best align with the labor needs of employers. Underfunding local workforce investment boards means reduced ability to build out linkages within the workforce development system. Programs like KYFAME and the Work Ready Skills Initiative demonstrate how effective these partnerships can be.

Conclusion

Underfunding workforce programs has two key impacts on their ability to deliver outcomes. Firstly, it deprives the programs of needed resources making it difficult for them to produce the intended results. Secondly, it reduces the ability of initiatives to extend to all potential beneficiaries because those facing greater skills deficiencies are unable to access certain programs.

The Commonwealth of Kentucky has staked its workforce development dollars on sustaining programs that train individuals for middle-skills jobs. This is an important component of workforce development that has proven to result in higher incomes and lower levels of unemployment for those successfully completing training programs. Additionally, it prepares people for occupations in fields that are in high demand making investments

in such training a low risk proposition for those involved in building their skills. While this tactic comes with many benefits, the focus on middle-skills training should not be the only focus of workforce development programs because it leaves out a large proportion of potential workforce training beneficiaries. Many disadvantaged workers lack the educational, numeracy, and literacy skills needed to enroll immediately in the community college system and therefore cannot jump immediately into middle-skills jobs training.

Furthermore, in an era of declining funding programs find it difficult to address outside barriers to workforce training. Transportation, health, and childcare issues serve as significant impediments to receiving training. With limited funding, addressing these issues is often infeasible, reducing the ability of programs to help disadvantaged adults find and retain employment. As funding declines, it also reduces the ability of workforce entities to build out the linkages needed to make programs successful. This creates gaps in the workforce training system making it less accessible to employers and reducing the system's success overall.

Federal investments in workforce training have continued to decline, even as the labor market places a higher and higher demand on skills. If the Commonwealth of Kentucky wants to succeed in reaching its workforce goals, it must seek ways to appropriate funding to programs that help disadvantaged Kentuckians build their skills and access educational opportunities. Without programs in place to provide this critical step, many workforce development initiatives will fail to serve their higher goals of helping Kentuckians achieve economic self-sufficiency.

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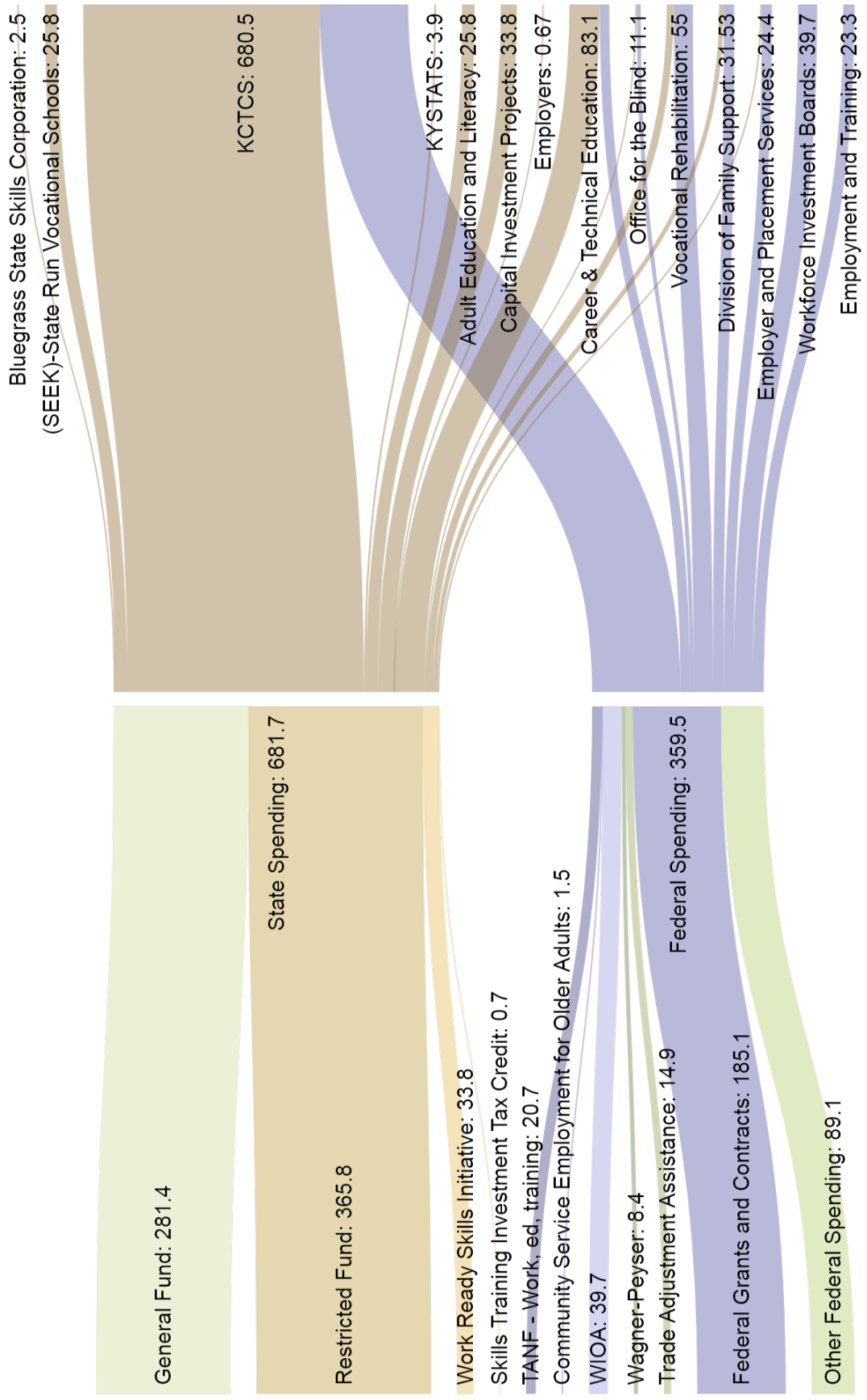
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Appendix A

Kentucky Workforce Funding Streams

Program Name	Agency	Funding Type	2013/2014 (in millions)	2017/2018 (in millions)	Funding Difference (in millions)
Bluegrass State Skills Corporation (Grants-in-Aid)	Economic Development	State	\$6.14	\$2.53	-\$3.61
Skills Training Investment Tax Credit	Economic Development	State/Federal	\$0.38	\$0.68	\$0.30
Metropolitan College Program Tax Credit	Economic Development	State	\$3.20	\$0.00	-\$3.20
Office for the Blind	Education and Workforce Development	State/Federal	\$10.17	\$11.09	\$0.93
Support Education Excellence in Kentucky (SEEK)-State Run Vocational Schools	Education and Workforce Development	State	\$26.71	\$25.83	-\$0.88
Vocational Rehabilitation	Education and Workforce Development	State/Federal	\$61.50	\$55.02	-\$6.48
General Administration and Program Support-KYSTATS	Education and Workforce Development	State	\$0.00	\$3.98	\$3.98
Employer and Placement Services	Education and Workforce Development	State/Federal	\$24.66	\$24.35	-\$0.31
Workforce Investment Act/Workforce Innovation and Opportunity Act	Education and Workforce Development	Federal	\$52.16	\$39.74	-\$12.42
Wagner-Peyser (Employment Service)	Education and Workforce Development	Federal	\$9.07	\$8.42	-\$0.66
Trade Adjustment Assistance (TaOA)	Education and Workforce Development	Federal	\$12.98	\$14.94	\$1.96
Work Ready Skills Initiative	Education and Workforce Development	State	\$0.00	\$33.84	\$33.84
Kentucky Community and Technical College System	Postsecondary Education	State/Federal	\$757.69	\$680.53	-\$77.16
Adult Education and Literacy Funding Program	Postsecondary Education	State	\$33.03	\$25.79	-\$7.24
Career & Technical Education	Department of Education	State/Federal	\$82.62	\$83.07	\$0.46
TANF - Work, ed, training	Health and Family Services	State/Federal	\$36.39	\$30.00	-\$6.40
Community Service Employment for Older Americans	Health and Family Services	Federal	\$1.72	\$1.53	-\$0.19
Total			\$1,118.42	\$1,041.35	-\$77.07

Workforce Spending Flows in the State of Kentucky (2017/2018)





KentuckianaWorks is the Workforce Development Board for the Louisville region, which includes Bullitt, Henry, Jefferson, Oldham, Shelby, Spencer, and Trimble counties.

We are funded primarily by the U.S. Department of Labor and the Workforce Innovation and Opportunity Act (WIOA) (through the Kentucky Education Workforce Development Cabinet) and Louisville Metro Government.

We operate a regional network of Kentucky Career Center services that includes job and career counseling, training, resume-building and direct referral to employers.

<https://www.kentuckianaworks.org/>