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BILL ANALYSIS

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Senate Bill 1288 (Substitute S-1 as passed by the Senate)
Sponsor: Senator Valde Garcia
Committee: Commerce and Labor

(as enrolled)

Date Completed: 8-9-06

RATIONALE

Some people believe that Michigan's comprehensive workforce development system should be codified. "Workforce development" generally refers to "the delivery of training, education and employment programs for the unemployed, underemployed, and disenfranchised workers" (Community Economic Development Assistance Corporation; "Workforce Development Strategic Planning Training, 2000"). The Michigan Works! system, which provides programs and services for job seekers and employers, has operated under Federal authorization (the Workforce Investment Act) as well as funding and guidelines adopted in annual appropriations bills, and serves as Michigan's workforce development system. According to the U.S. Department of Labor website, the Workforce Investment Act (WIA) "establishes a national workforce preparation and employment system...to meet the needs of businesses, job seekers and those who want to further their careers". Michigan Works! is a component of that national system. Although Michigan Works! is outlined in a November 2001 policy document adopted by the former Michigan Department of Career Development ("Michigan Works! System Governance and Minimum Standards"), the system has never been authorized in State statute.

CONTENT

The bill would create the "Michigan Works One-Stop Service Center System Act" to establish a system to deliver workforce development programs and

services tailored to local needs. The bill would do all of the following:

- **Create the Michigan Works one-stop service center system to provide services and programs regulated or funded under various Federal laws and Section 57f of the Social Welfare Act (which requires participation in the Work First program).**
- **Require the Governor to designate Michigan Works areas, and require the chief elected official in each area to appoint a local workforce development board for that area, in accordance with Federal law.**
- **Specify criteria for local workforce development board members, including that a majority represent the private sector.**
- **Establish responsibilities of local workforce development boards, including development of a plan to coordinate services for employers and job seekers; and require the plan to provide access to designated core services free of charge.**
- **Specify conflict-of-interest requirements and prohibitions.**
- **Require the local workforce development board and local officials in each Michigan Works area to designate an entity to perform administrative functions.**
- **Require the designated administrative entity to serve as the administrator for State and Federal funding provided to the workforce development board for workforce development services and activities in the Michigan Works area.**

- **Require that services be provided only through service providers selected by a competitive procurement process, and not directly by an administrative entity designated under the Act, unless no other provider could furnish the services within the limits of available funding and cost-to-benefit analysis.**
- **Require a local workforce development board to appoint an education advisory group to advise the board on educational issues in its Michigan Works area.**

"Michigan works one-stop service center system" would mean the integrated and coordinated system of local boards, agencies, service centers, and advisory groups described in the bill to deliver workforce development services and implement Federal and State law.

"Michigan works area" would mean a geographic area that the Governor designates as a local workforce investment area under the Federal WIA, including an area designated and recognized under that Act before the bill's effective date.

"Michigan works agency" would mean an entity designated to be the administrator for workforce development activities in a local Michigan Works area under the guidance of the local workforce development board.

"Michigan works one-stop service center" would mean a facility designated to provide access to services delivered under the Michigan Works one-stop service center system and certified as meeting standards established by the Department of Labor and Economic Growth (DLEG).

Workforce Development System

The bill would create the Michigan Works one-stop service center system "to provide an integrated and coordinated system for delivery of workforce development programs and services tailored to local needs", including portions of services and programs regulated or funded under Section 57f of the Social Welfare Act (MCL 400.57f) and under all of the following Federal laws:

- Title I of the WIA (Public Law 105-220).
- The Wagner-Peyser Act (29 USC 49 to 49c and 49d to 49j-2).

- Section 221 of the Trade Act (19 USC 2271).
- Section 6(d)(4) of the Food Stamp Act (7 USC 2015).
- Reed Act transfers under 42 USC 1101 to 1110.

(Section 57f of the Social Welfare Act requires participation in the Work First program by members of family independence assistance groups.)

The system would consist of the local workforce development board in each Michigan Works area, Michigan Works agencies, Michigan Works one-stop service centers, and education advisory groups.

Michigan Works Areas & Local Workforce Development Boards

The Governor would have to designate Michigan Works areas in the State in accordance with Section 116 of the Federal WIA (29 USC 2831). The chief elected official in each Michigan Works area would have to appoint, and the Governor would have to certify, a local workforce development board for that Michigan Works area, in accordance with Section 117 of the WIA (29 USC 2832).

A majority of local workforce development board members would have to represent the private sector, appointed from a list of individuals nominated by local business organizations and business trade associations. A board would have to include representatives of education, the Department of Human Services, DLEG, vocational rehabilitation providers, organized labor, economic development organizations, and community-based organizations. Representatives of government agencies would have to be nominated by DLEG. Board members would be appointed for fixed and staggered terms. The chairperson of a local board would have to be an individual from the private sector, elected by the board.

A local workforce development board would have to do all of the following, in cooperation with the chief elected officials in the Michigan Works area:

- Develop and submit to the Governor a plan for coordinating local workforce

development services for employers and job seekers in the area.

- Award competitive grants or contracts to eligible providers.
- Develop a budget.
- Employ staff necessary to carry out the duties of the board.
- Solicit and accept grants and donations.
- Oversee the operation of the one-stop delivery of services through the Michigan Works one-stop service center system.
- Establish local performance standards through negotiation with DLEG for evaluating and improving the Michigan Works one-stop service center system.
- Coordinate workforce development activities with other economic development activities and strategies in the Michigan Works area.
- Promote private sector employer participation in the Michigan Works one-stop service center system.
- Make available connecting, brokering, and coaching activities through intermediaries to help meet employer hiring needs.
- Appoint an education advisory group and its chair.
- Conduct business at public meetings held in compliance with the Open Meetings Act and make information available to the public concerning the performance of the board's duties or other information requested under the Freedom of Information Act.
- Perform any other duties, functions, or responsibilities required of the board to implement the WIA or State or Federal law.

The plan developed by a board and submitted to the Governor would have to provide for access to designated core services with no fees or charges, and would have to provide services beyond the core services based on eligibility criteria.

A local workforce development board and each board member would have to avoid a conflict of interest with board duties. An individual could not be appointed to or serve on a board if he or she had an ownership interest in, or were employed by, an organization that received money under the direct control of the board or if the individual engaged in any other activity that created a conflict of interest or what would appear to a reasonable person to be a conflict of interest. An individual who had an interest

in or was employed by an entity that received money under the partial or complete control of a local workforce development board could be appointed to or continue to serve on the board, however, if he or she did not hold a policy-making position with the entity and would not receive other than a remote or incidental benefit from the board's decisions. The bill specifies that this exception to the strict conflict-of-interest policy would apply to allow board representation from entities such as a school that enrolled students with tuition paid from funds under the board's control, a government agency from which representation was required, and an employer that accepted compensation for extraordinary costs of providing on-the-job training from funds under the board's control.

Michigan Works Agencies

The local workforce development board, and local officials in each Michigan Works area, would have to designate an entity to perform administrative functions. The entity would have to be one of the following:

- A public office or agency of a local unit of government within the Michigan Works area.
- A private nonprofit agency servicing one or more local units of government within the Michigan Works area.
- A nonprofit organization exempt from tax under Section 501(c)(3) of the Internal Revenue Code (26 USC 501).
- An entity organized under the Urban Cooperation Act.

A designated entity would have to serve as the administrator for State and Federal funding provided to the workforce development board for workforce development services and activities in its Michigan Works area. A designated entity could engage in any activity necessary to fulfill the intent of the proposed Act, including the following:

- Informing the State, local units of government, private agencies and organizations, and the general public of the nature and extent of the need for workforce development services for businesses and individuals within the Michigan Works area.

- Developing and administering local workforce development programs within the Michigan Works area.
- Conducting pilot and demonstration projects to research the effectiveness of innovative approaches to reduce unemployment, improve services, and use resources.
- Providing and advocating for training and technical assistance to public and private agencies, community groups, and local units of government to define problems better, improve services, and facilitate citizen participation.
- Increasing interagency coordination and cooperation in serving businesses and individuals.
- Entering into agreements with Federal, State, and local public and private agencies and organizations if necessary to carry out the purposes of the proposed Act.
- Receiving and accepting grants or gifts to support or promote the activities authorized by the Act.
- Implementing and operating a Michigan Works one-stop service center.
- Engaging in any other activity necessary to fulfill the intent of the Act.

The Department would have to establish criteria and procedures for approving all pilot or demonstration projects that it funded.

Except for incumbent worker training and business services, a designated administrative entity could not provide workforce development services directly to job seekers and individual trainees without the approval of the Governor.

A designated administrative entity could provide State- or Federally funded workforce development services to program applicants and participants only through service providers selected by a competitive procurement process established in accordance with DLEG policy and applicable State law. A designated administrative entity, however, could provide those services directly to program applicants and participants without contracting with a service provider, if DLEG determined after a competitive procurement process that no other provider was capable of providing the required services within the limits of available funding and cost-to-benefit analysis.

Except as otherwise provided, a designated administrative entity could enter into any agreement necessary to deliver services under the proposed Act.

The Department would have to oversee and evaluate the activities of the Michigan Works agencies and require the agencies to report information to DLEG to facilitate that oversight. All the reported information would have to be available to the public.

Education Advisory Group

A local workforce development board would have to appoint an education advisory group to operate in the Michigan Works area and serve in an advisory capacity to the board on educational issues. The board would have to appoint the group's chairperson.

An education advisory group would have to include local workforce development board members and representatives of employers, labor representatives, local school districts, postsecondary institutions, intermediate school districts, career and technical educators, public school parents, and academic educators. An education advisory group member would have to be employed in the sector he or she represented.

The conflict-of-interest provisions described above would not apply to members of an education advisory group.

ARGUMENTS

(Please note: The arguments contained in this analysis originate from sources outside the Senate Fiscal Agency. The Senate Fiscal Agency neither supports nor opposes legislation.)

Supporting Argument

The Michigan Works! system has served the State well since its inception in the mid-1990s. It was established to provide regional service centers for convenient access to workforce development services. According to written testimony presented to the Senate Commerce and Labor Committee by the Michigan Works! Association, there are 25 Michigan Works! areas and workforce development boards throughout the State, and more than 3 million customers, both employers and job seekers, were served in 2005 at more than 100 Michigan Works! service centers.

According to information posted on the website of the former Department of Career Development, "Michigan Works! service centers offer one-stop access to a wide range of workforce development services to all Michigan residents", including job, career, and skill self-assessment tools; career, job, and labor market information; resume-writing software and support materials; directories of human service agencies and employers; and information on financial aid, occupational training, and workplace accommodations. Michigan Works! also offers employers a single location to find services that support their economic and workforce development efforts, such as assistance in finding qualified workers; interview facilities; information on business start-up, retention, and expansion services; information on customized training programs; information on labor markets, workplace accommodations, and tax credit opportunities; and training incentives, such as on-the-job training programs. The Michigan Works! system also provides on-line resources for matching job seekers with employers.

Although the Michigan Works! service centers have become established and recognized community resources, there is no Michigan statutory authorization for this workforce development system. The Michigan Works! system is based on Federal requirements contained in the WIA but, at the State level, is referred to only in appropriations boilerplate provisions and policy guidelines. By essentially codifying the current Michigan Works! system, the bill would provide legal stability for the continuation of the programs and services offered through Michigan Works! service centers, ensure that the system could be changed only with broad legislative input and support, and clearly identify the roles of DLEG and the Governor in the Michigan Works system.

Supporting Argument

While the Michigan Works! system is funded by Federal money administered through DLEG, local officials have made significant financial commitments to the system's infrastructure, such as entering into long-term leases at the Michigan Works! service centers. Statutory authorization of the system would ensure that the State was as committed to Michigan Works! as are local officials.

Legislative Analyst: Patrick Affholter

FISCAL IMPACT

The bill would have no fiscal impact on State or local government. The bill would codify the existing Michigan Works! system structure, consistent with Federal law, boilerplate language in appropriation bills, and policy statements, including "Michigan Works! System Governance and Minimum Standards", adopted in 2001.

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This analysis was prepared by nonpartisan Senate staff for use by the Senate in its deliberations and does not constitute an official statement of legislative intent.