

From: Stanton, Cheryl <CStanton@dew.sc.gov>
To: Baker, JoshJoshBaker@gov.sc.gov
CC: Smith, AustinAustinSmith@gov.sc.gov
Scott, DarrellDScott@dew.sc.gov
Veldran, KatherineKatherineVeldran@gov.sc.gov
Foster, SallySFoster@dew.sc.gov
Date: 1/8/2016 9:32:07 AM
Subject: Re: Budget Request for PY-15

Josh,

Has a decision been made on this? We have to submit our Ways and Means package today and it currently has us asking for 1,799,327 recurring for CWRC. Should we submit it with that or will there be a different request in the Governor's budget?

Thanks,

Cheryl

On Jan 6, 2016, at 9:53 AM, Stanton, Cheryl <CStanton@dew.sc.gov> wrote:

Josh,

Thanks for your call and the information you provided yesterday. I understand there are always priorities that must be set in establishing a budget, and appreciate your considering our request to put the entire \$1,799,324 to fund the Certified Work Ready Communities program in full for FY '16-17.

Certified Work Ready Communities measures the quality and compatibility of the state's workforce and provides the means to better prepare and align our workforce with existing business and industry needs. Commerce uses it as a vital educational tool when recruiting companies into certain counties in South Carolina. South Carolina must continuously improve the skill set of its workforce to be competitive in a global market and to meet existing needs of business and industry, as well as the futures needs. Certified Work Ready Communities helps measure and quantify that improvement. Maintaining Certified Work Ready Communities as a state-level program would control costs, especially if coupled with the existing proviso requiring Department of Education to Work Keys test all 11th graders in South Carolina. The data generated will support future workforce, education, and economic development initiatives.

By way of background, when the state of South Carolina entered into a two-year contract with ACT in 2011, the cost of the project was \$3.62M (which included contractual payments to ACT for \$3,353,314 and administration of the program). Other state agencies contributed \$850,000 towards that cost. The remainder of that money came from DEW's Wagner-Peyser 10% set-aside appropriation. However, it should be noted that DEW used the Wagner Peyser 10% set aside appropriation from a three-year period, not just the two years covered by the contract. In other words, DEW paid for its share of the program with the following years' Wagner Peyser 10% set-aside funds:

PY '12 \$978,521
PY '13 \$915,666
PY'14 \$907,988

The decision to use the Wagner-Peyser 10% set aside money for this program rather than for Wagner-Peyser operations (which essentially includes the job placement services we provide in the SC Work Centers and other job placement services) was made before I arrived at the agency. This use of the Wagner-Peyser 10% set aside for a program such as this was unusual – most states use this Wagner-Peyser 10% set aside for Wagner-Peyser operations, as appears to be intended in the federal regulations, because the base Wagner-Peyser appropriations to the states generally do not by themselves cover the cost of the job placement services the states are expected to provide.

Indeed, the Wagner-Peyser grant has suffered the following deficits in the years that the Wagner-Peyser 10% set aside was used for Certified Work Ready Communities instead of for Wagner-Peyser operations:

PY'12 \$2,833,930

PY'13 \$385,424

PY'14 \$379,671

Projected PY'15 \$887,112

Projected PY '16 \$1,249,507 (we are working to bring this down)

As you may recall, the large deficit in the Wagner-Peyser program in PY'12 (and the projections going forward) led to a mass layoff at the Department of Employment and Workforce that had widespread political ramifications, including a leadership change at the agency. However, our intent for PY'15 was to use the Wagner-Peyser 10% set aside appropriation for PY '15 (\$899,214) to ensure we do not incur a further deficit for PY'15 or future years.

It should be noted that the Wagner-Peyser base appropriation has decreased each of the four years that we are discussing.

PY'12 \$9,785,215

PY'13 \$9,156,659

PY'14 \$9,079,979

PY'15 \$8,992,138

To that end, we think it is important that the Department of Employment and Workforce return to using the Wagner Peyser 10% set-aside fund to support the basic Wagner-Peyser operations as soon as possible, rather than continuing to run a deficit in that program. Accordingly, we respectfully request that Governor include the full \$1,799,324 for Certified Work Ready Communities in her budget. In the alternative, we respectfully request that the Governor at least include \$900,110 for the Certified Work Ready Communities in her budget because the agency only has \$899,214 in the Wagner-Peyser 10% set aside fund for PY'15.

We appreciate your consideration of this request. Please do not hesitate to call me with any questions or if you would like to discuss this further.

Cheryl