

**Council Meeting: June 3, 2008****SUBJECT: Authorization for NOVA to Apply for STAR Dislocated Worker Funding in an Amount not to Exceed \$6 Million****REPORT IN BRIEF**

NOVA's current STAR (**S**kills **T**esting, **A**ssessment & **R**e-employment) funding totals \$3,525,000 for the year ending June 30, 2008. NOVA's 2007-08 dislocated worker allocated funds will not be sufficient to meet the demand for services for the coming year. Staff recommends that the Sunnyvale City Council, on behalf of the NOVA seven-city consortium, concur with the NOVA Workforce Board and authorize the submission of an application for Workforce Investment Act Dislocated Worker Additional Assistance Funding from the State of California for up to \$6 million to provide services for an additional 6,000 dislocated workers from July 1, 2008 through June 30, 2009.

BACKGROUND

The State of California initially funded NOVA's STAR services in the fall of 1989. NOVA has since received continuous funding through 17 major grants over a 19-year period. EDD has invested over \$76 million in STAR to serve over 22,000 dislocated workers, and the grant has consistently met or exceeded its performance goals. In recent years, State discretionary funding has become greatly reduced, and the State has not been able to continue its investment in STAR to the extent it has in the past.

In 2005, realizing the state of urgency that exists in the region relative to the re-employment efforts of dislocated workers, NOVA partnered with its neighboring workforce boards to submit a proposal for STAR funding to support a more regional effort. NOVA continued this partnership in 2006 and 2007. NOVA's portion of the current STAR XVII grant is \$3,025,000 with planned enrollment of 605 clients in a myriad of services including extensive testing and assessment, occupational classroom training, re-employment workshops, ProMatch services, a computerized learning lab, and funding for appropriate one-stop services. This funding runs through June 30, 2008. In February 2008 NOVA submitted an emergency request for additional funding (STAR XVIII) to make up for a shortfall in funds awarded earlier. The resulting \$500,000 award also runs through June 30, 2008 and allows for services to an additional 107 individuals.

The State of California has available Workforce Investment Act (WIA) discretionary funds (25% Additional Assistance funding) that may be used to support areas where allocated funds are not sufficient to meet demand.

EXISTING POLICY

The proposed activities are consistent with the City of Sunnyvale's Socio-Economic Goal 5.1F: Provide job training and employment services within constraints of operative, federal regulations and available federal funding, to address the locally-determined employment and training needs of economically disadvantaged residents and others with special needs.

DISCUSSION

The demand for dislocated worker services in the core of Silicon Valley continues to be high. NOVA's STAR grant proposal demonstrates the need for additional funding based on the following factors:

- ❖ the structural change within regional workforce needs;
- ❖ the unemployment rate discrepancy and its inaccuracy in reflecting the realities of the local workforce situation; and
- ❖ the funding discrepancy relative to the State's dislocated worker allocation formula and the recorded share of workforce dislocation activity.

Structural Change

Unlike past historic economic cycles, it became clear after the dot-com bust that the skills and knowledge needs of the burgeoning industries in our region were significantly different from what the newly dislocated workers possessed. The dot-com boom and bust was the first sign of dramatic structural change now facing the region.

Available data clearly show that the jobs that are being created in this high-tech economy do not correlate with the jobs being destroyed. According to LMID, the region's two largest industry sectors, manufacturing and professional & business services, comprising nearly half of all industry employment in 2000 and representing the core of the Valley's innovation economy, lost a total of 135,200 jobs or nearly 30 percent of their initial job base between 2000 and 2007. Regional job growth, on the other hand, remained almost exclusively within the service sector, with a negligible increase of 22,300 over the same period. As large segments of the workforce retire in the near future, "replacement" job openings will provide middle wage employment;

however, it is clear that retraining will be necessary for many workers to take advantage of these opportunities.

The nature of the labor market has changed and the dislocated workers of Silicon Valley must adapt to these changes or continue to face challenges to their employability within the region. To this end, much greater focus will be put toward the task of providing dislocated workers with skills development. Under this STAR proposal, \$2 million will be reserved for training services.

Unemployment Rate Discrepancy

Measures such as the unemployment rate, the most widely used measure of need and the basis for how federal WIA dollars to serve dislocated workers are allocated to states and substate areas like NOVA, are not designed to capture the intricacies of evolving economies. The Department of Labor defines “employed individuals” as anyone 16 and older who had worked as a paid employee in a given week. “Unemployed individuals” are those who were currently not employed but were available for employment and had made efforts to find employment in a given period. The labor force is the sum of the employed and unemployed populations, and the unemployment rate is the ratio of those counted as “unemployed” to the total labor force.

The unemployment rate, which is based on a monthly sample survey, misrepresents those who have been forced to take part-time or temporary positions or to accept lower-paid or lower-skilled jobs to get by and excludes those “discouraged workers” who have stopped actively seeking employment. As soon as jobseekers stop “making efforts to find employment” they disappear from the count of unemployed and from the labor force altogether, skewing the results toward a lower rate.

While the working-age population of the county has grown by 3.1 percent since the height of the dot-com boom in 2000, the county’s labor force has decreased by 9.1 percent, with the number of employed decreasing by nearly 11 percent. While it cannot be assumed that *all* of the individuals discounted from the labor force are dislocated workers, the logical assumption is that a great number of these individuals are dislocated and continue to require WIA services.

Funding Discrepancy

PY 2008 dislocated worker allocations have been announced and NOVA will receive \$1,086,439, a slight increase from last year. The Workforce Investment Act funding formula was revised in 2006, but the reality is that it allocates funds primarily based on unemployment claims filed by residents of an area.

Over half of NOVA clients do not even reside in our area but choose to come to NOVA, most often because their last employer is located here and their target reemployment companies are in the NOVA area.

The funding formula is also inequitable relative to the share of worker dislocation in the region. From July 1, 2007 through March 31, 2008, the NOVA workforce area received WARN (Worker Adjustment and Retraining Notification Act) notices for 41 layoffs affecting 3,207 individuals. This represents 7.4 percent of all dislocation events statewide, yet NOVA received only 1.1 percent of the dislocated worker allocated funds. If the formula took this into account, NOVA would have received an additional \$6.3 million for this year and the need for supplemental funds would be greatly reduced.

At its May 28, 2008 meeting, the NOVA Workforce Board approved the submission of an application for STAR dislocated worker funding for up to \$6 million.

FISCAL IMPACT

The source of funds for this project is grant funding targeted for dislocated worker services. These funds would be awarded to NOVA and the City of Sunnyvale through a competitive application process. As such there is sufficient funding to accomplish the required work, and the funding cannot be used for any purposes not in the original proposal. There is no negative fiscal impact on the City of Sunnyvale.

PUBLIC CONTACT

Public contact was made through posting of the Council agenda on the City's official notice bulletin board and at the Senior Center and Community Center, posting of the agenda and report on the City's Web site, publication of the Council agenda in the *San Jose Mercury News*, and the availability of the report in the Library and the Office of the City Clerk.

ALTERNATIVES

1. Council authorizes the submission of an application for Workforce Investment Act Dislocated Worker Additional Assistance Funding from the State of California for up to \$6 million to provide services for an additional 6,000 dislocated workers from July 1, 2008 through June 30, 2009.
2. Council does not authorize submission of the application.
3. Other action as determined by Council.

RECOMMENDATION

It is recommended by staff that the Sunnyvale City Council, on behalf of the NOVA seven-city consortium and in concurrence with the NOVA Workforce Board, adopt Alternative 1: Council authorizes the submission of an application for Workforce Investment Act Dislocated Worker Additional Assistance Funding from the State of California for up to \$6 million to provide services for an additional 6,000 dislocated workers from July 1, 2008 through June 30, 2009.

Reviewed by:

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