



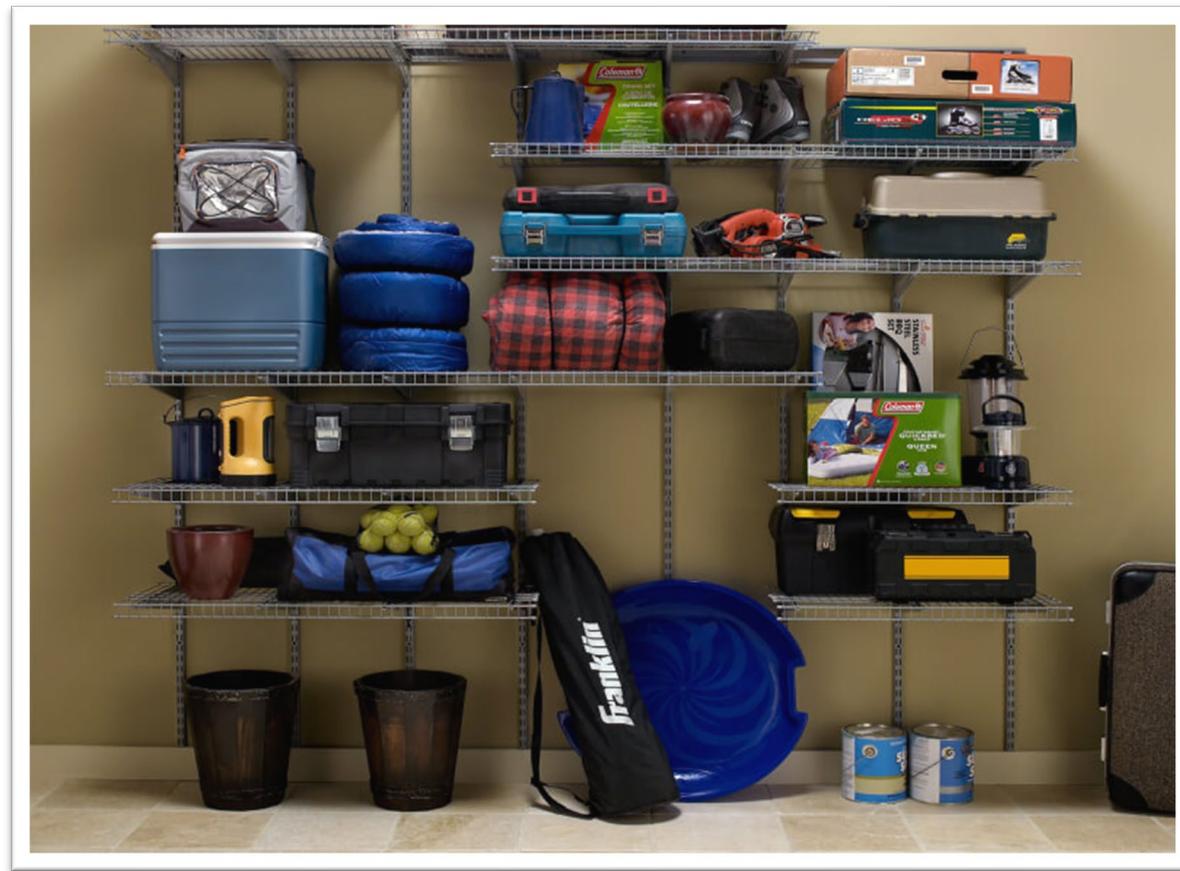
**MINNESOTA ASSOCIATION
OF WORKFORCE BOARDS**

A Deeper Dive: Resourcing Our Workforce System

**Taking Stock of the Challenges and Opportunities We Face
and Equipping for Conversations to Come**

Goals:

- Take inventory of the federal and state budget outcomes in 2025.
- Share information about funding mechanisms for the public workforce system.
- Equip members with information about trends for conversations to come.



Our Public Local Workforce System

- Structure is mandated in federal law, the Workforce Innovation and Opportunity Act (WIOA) and state statute.
- Both include mandates for what we do.
- We weave funding from a variety of sources to do our work.
- *At the heart of it, our system exists so that Americans can access high quality jobs and employers have access to skilled workers.*
- *Workforce needs affect all of us, and a public system is key to addressing these collective needs.*



Over the past decade,
ongoing decreases to
workforce
development funding
through the local
workforce system.

FEDERAL FORMULA FUNDS THROUGH WIOA



- Adult
- Dislocated Worker
- Youth

STATE FUNDS



- State Dislocated Worker Funds
- Minnesota Youth Program
- Competitive Grants
- Direct Appropriations
- MFIP Contracts
- SNAP Contracts

LOCAL FUNDING (MORE LIMITED)



- Other County/City funding
- Local foundations, etc.

2025: A Year of More Significant Decrease

10%

Decrease in
Federal WIOA
Funding for
Minnesota

Significant
One Time
State Funding
Ends

53%

Decrease in
State
Dislocated
Worker
Funding for
Local Areas

Ongoing Unknowns

Federal

- Delays of appropriated funds
- Appropriations process
- WIOA Reauthorization

State

- Financial Forecast
- Indirect impacts from the Big Beautiful Bill / Reconciliation Bill



What We Know

Workforce Development is crucial to Minnesota's success.

Our Local Workforce System is a key tool to get us there.

Funding to our system is unlikely to increase any time soon.

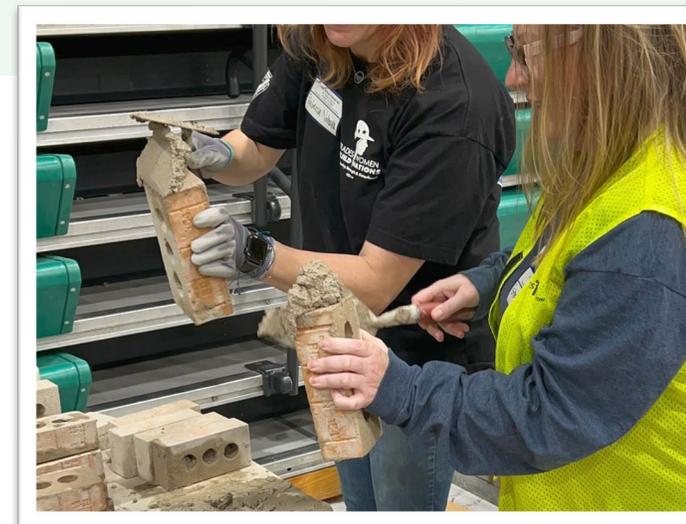
We can meet this moment together.



Adapt and Advance

Working to identify areas of growth, diversify funding streams.

Making the case that the public workforce system is a key tool to get the work done.





**MINNESOTA ASSOCIATION
OF WORKFORCE BOARDS**

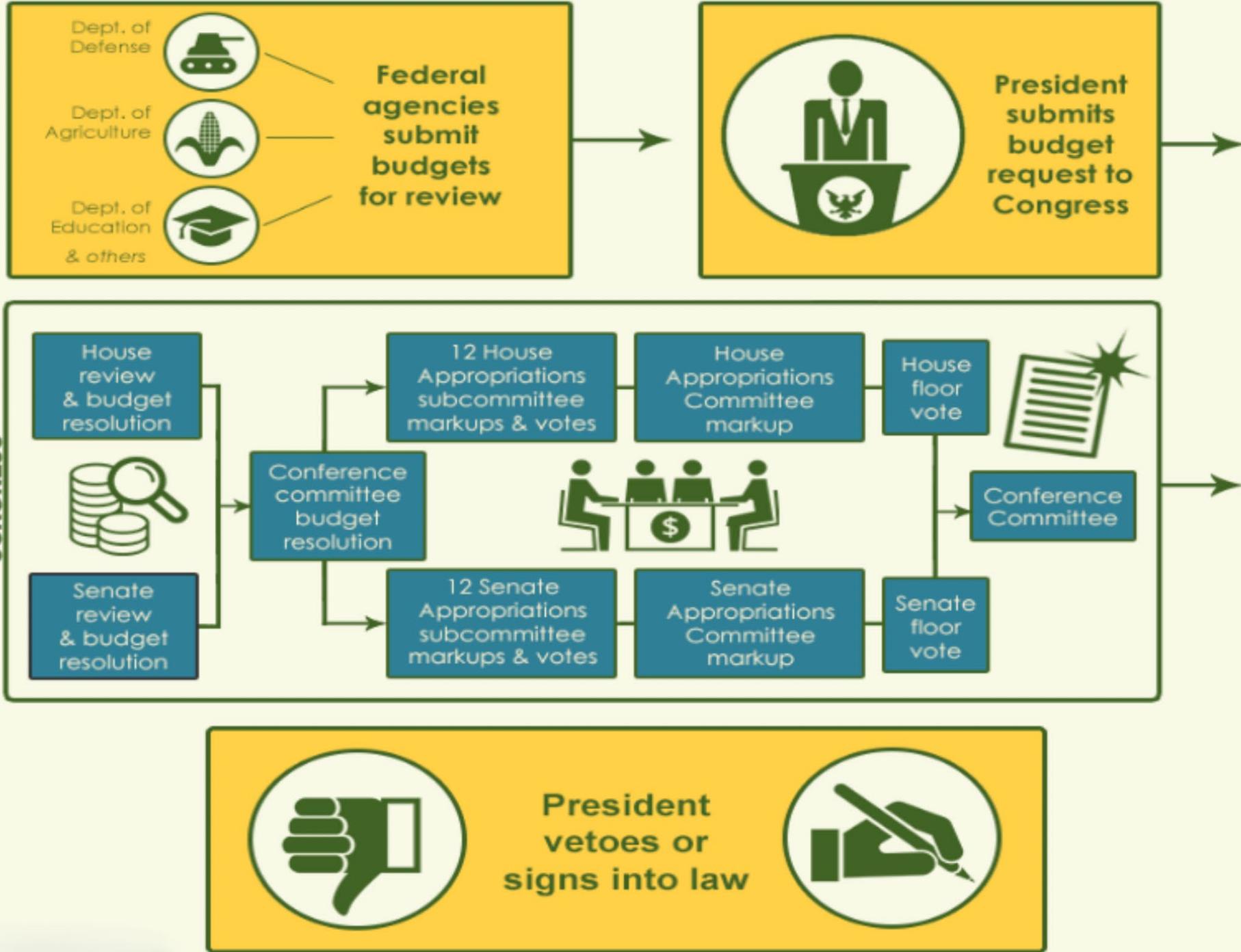
Equipping for Ongoing Conversations

In this section:

- How the funding source works
- Key trends
- Takeaways
- Talking paper for discussion at home



Federal Funding



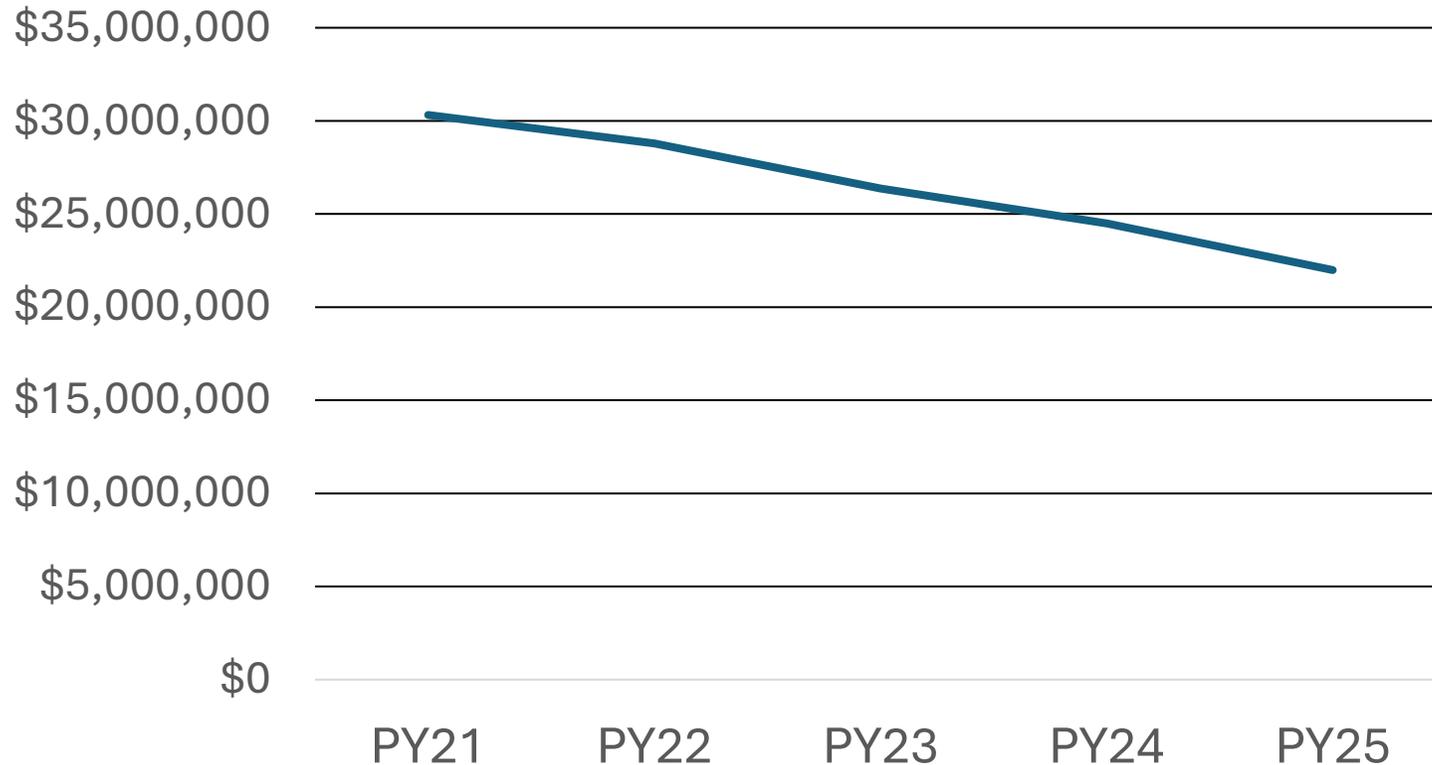
Federal Funding



- Appropriated WIOA funding is allocated to states through a formula.
- States maintain a set-aside as outlined in WIOA.
- States allocate remaining WIOA funding to local areas through a formula.

Federal WIOA Funding Trends

WIOA TITLE I Program Allocations to Minnesota
Past 5 Years

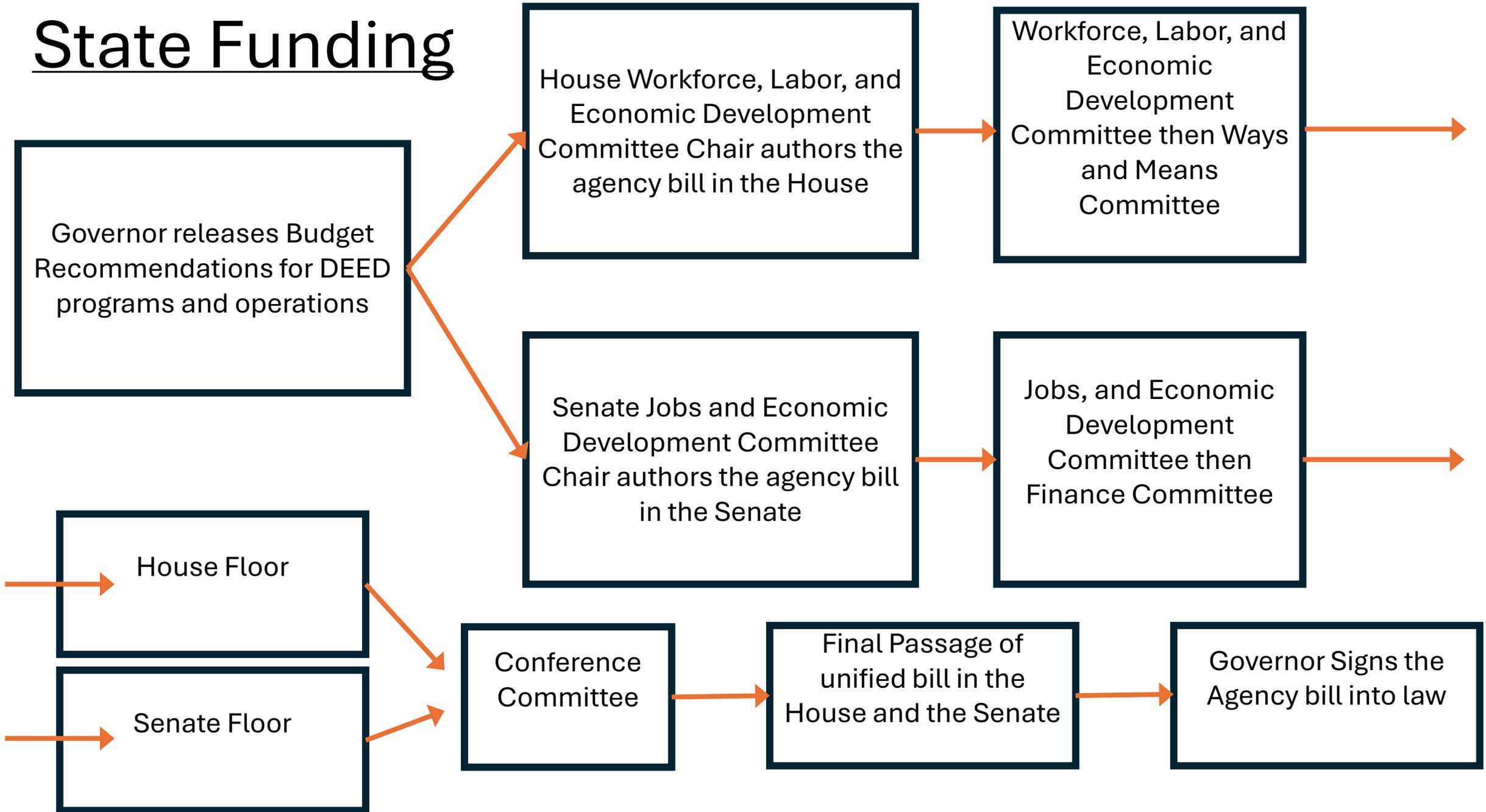


Take Away

Federal WIOA Funding over
past five years:

- Steadily decreased around 10% each year
- Total decrease of \$8 million from 2021 numbers
- Not to mention inflation!

State Funding

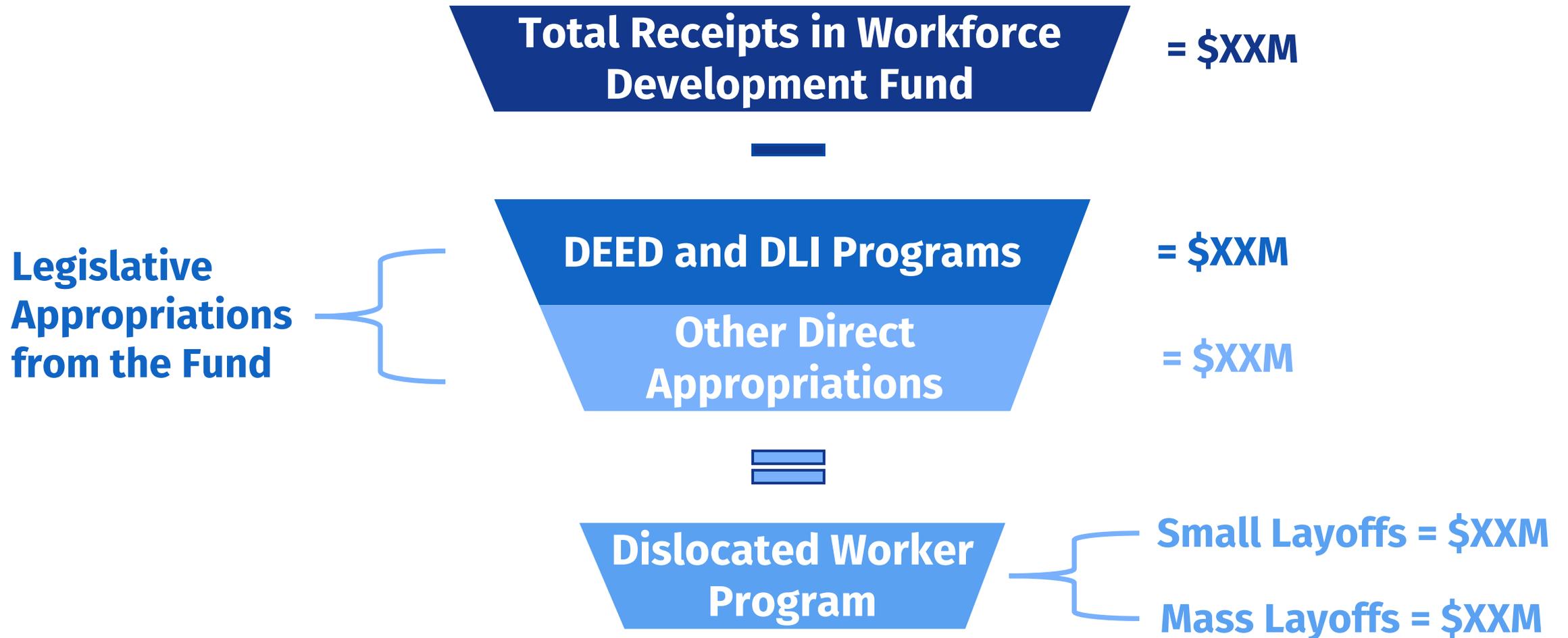


Workforce Development Fund

- Separate from the General Fund
- Revenue is from a special assessment on employers
 - The special assessment is set at a rate of 0.12% per year on all taxable wages.
 - Paid by employers in the same manner as unemployment insurance.

Workforce Development Fund Allocation Components

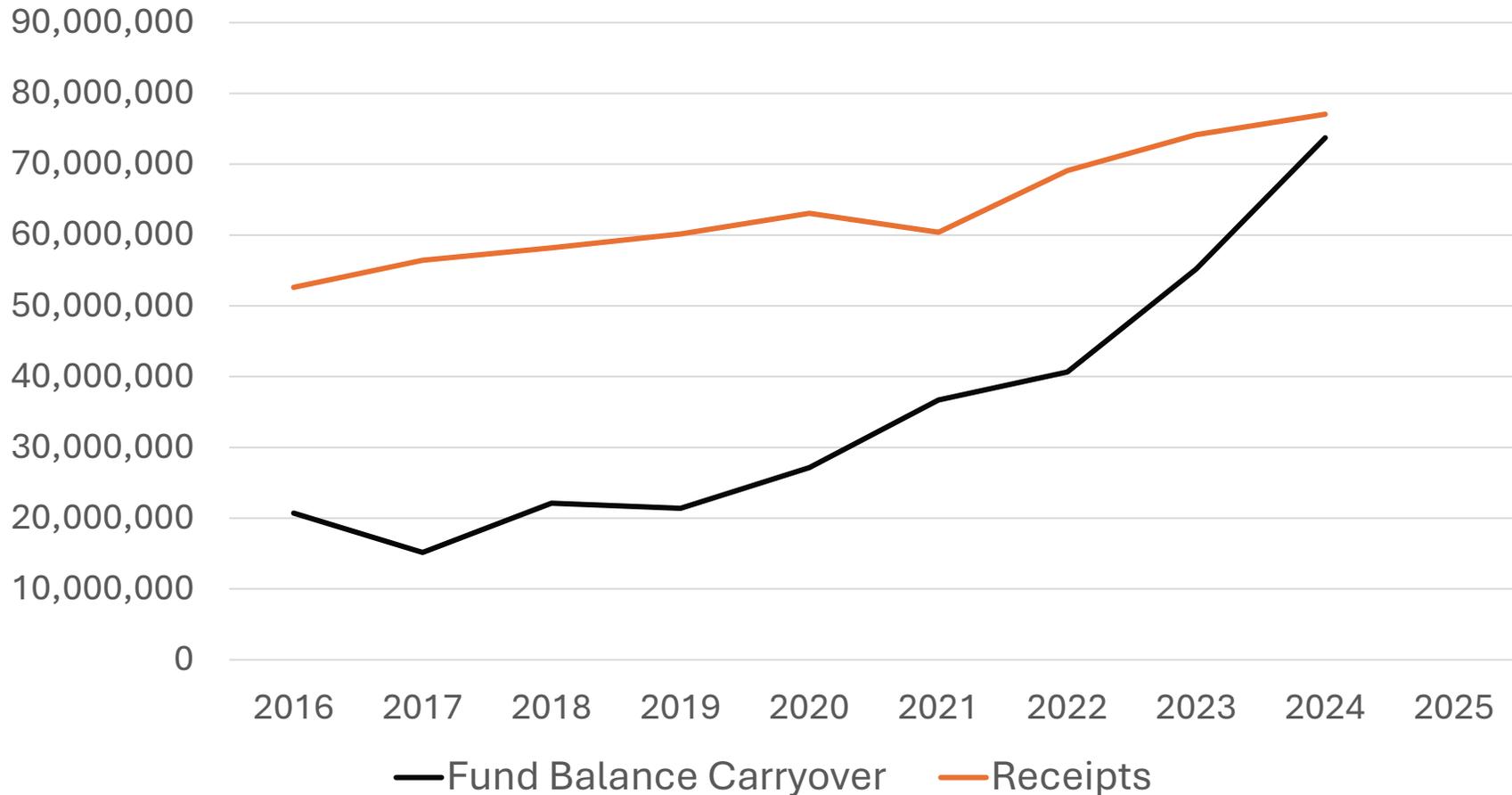
Formula: Total Receipts *minus* Legislative Appropriations *equals* Amount Available for Dislocated Worker Program - 5% is allocated to DEED for administration



Workforce Development Fund Trends

- 1990 - Legislature establishes the Dislocated Worker Fund to provide for a state dislocated worker program.
- 1993 - Dislocated Worker Fund changed to Workforce Investment Fund and purposes broadened from “dislocated worker” to “employment and training” programs.
- 1997 - Legislature makes first appropriation to programs outside of Dislocated Worker statute. Also made first direct appropriation.
- 1999 - Name changed to “Workforce Development Fund” and additional programs funded directly out of fund including Displaced Homemakers, Deaf and Hard of Hearing Programs.
- 2007 - Fee raised to 0.1%
- 2009 - Fee raised to 0.12%

Workforce Development Fund

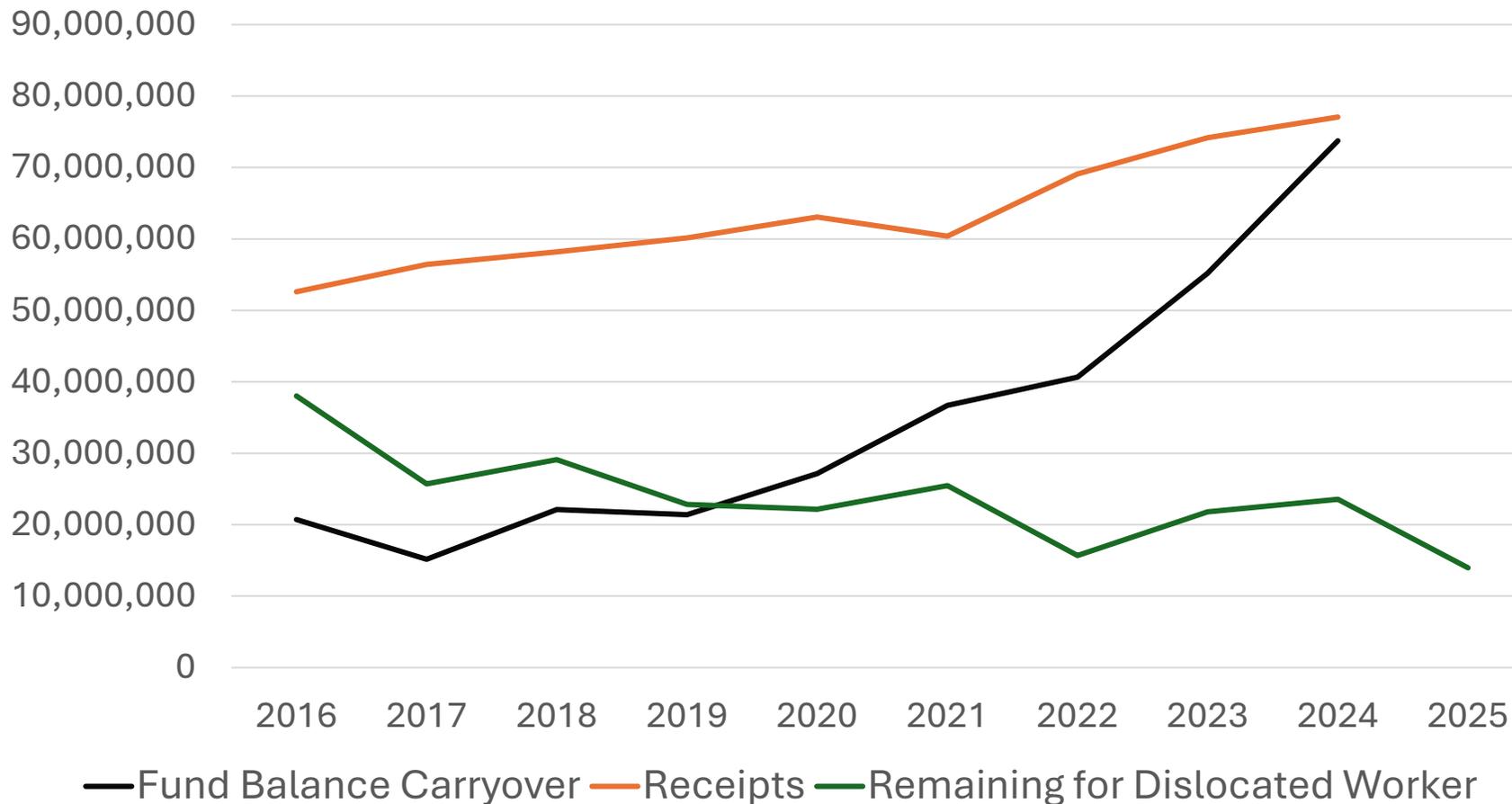


Take Away

Over the past 10 years:

Receipts into the Fund
have increased steadily.

Workforce Development Fund

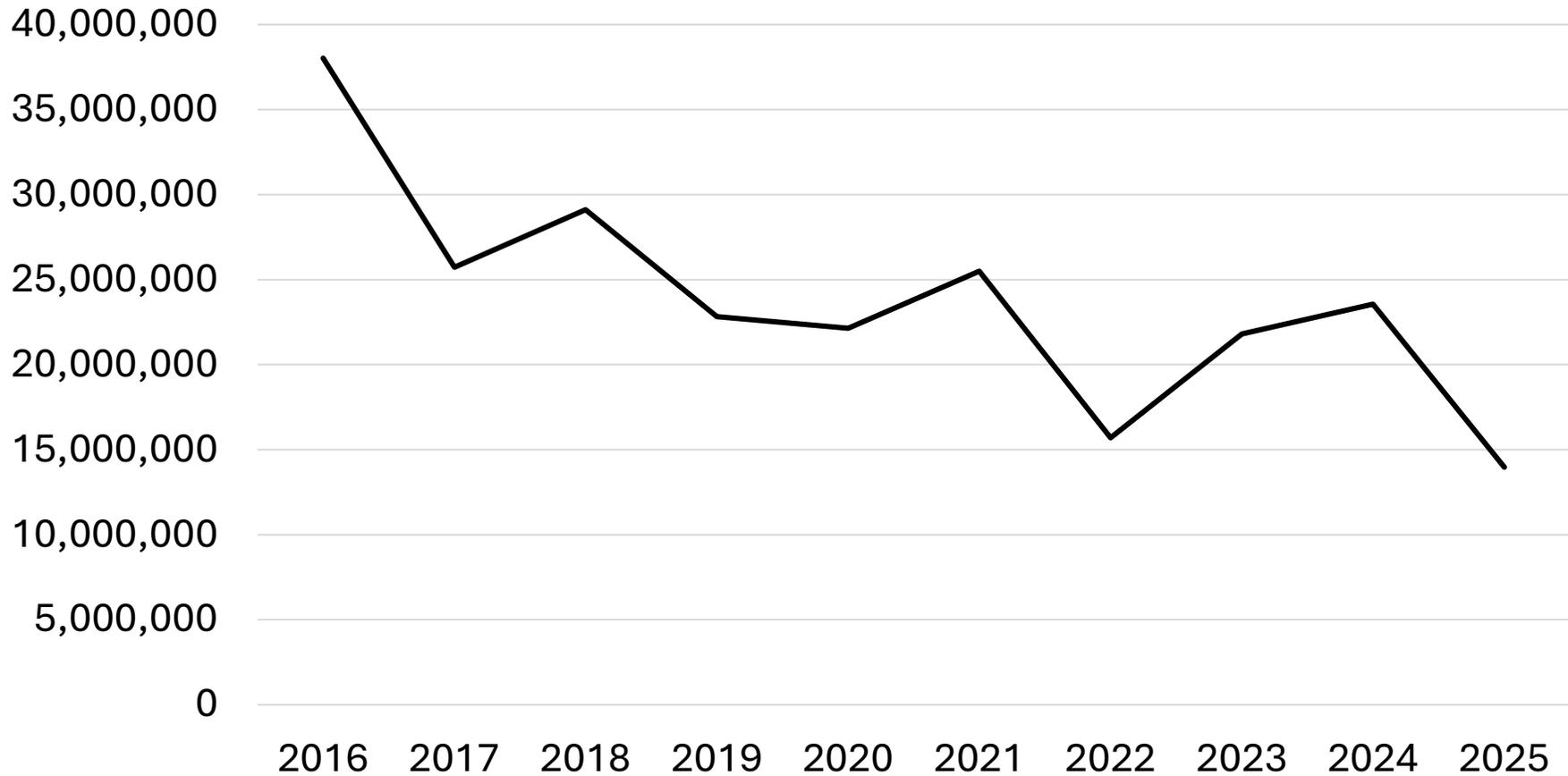


Take Away

Over the past 10 years:

Workforce Development Funding for Dislocated Worker Program trended down.

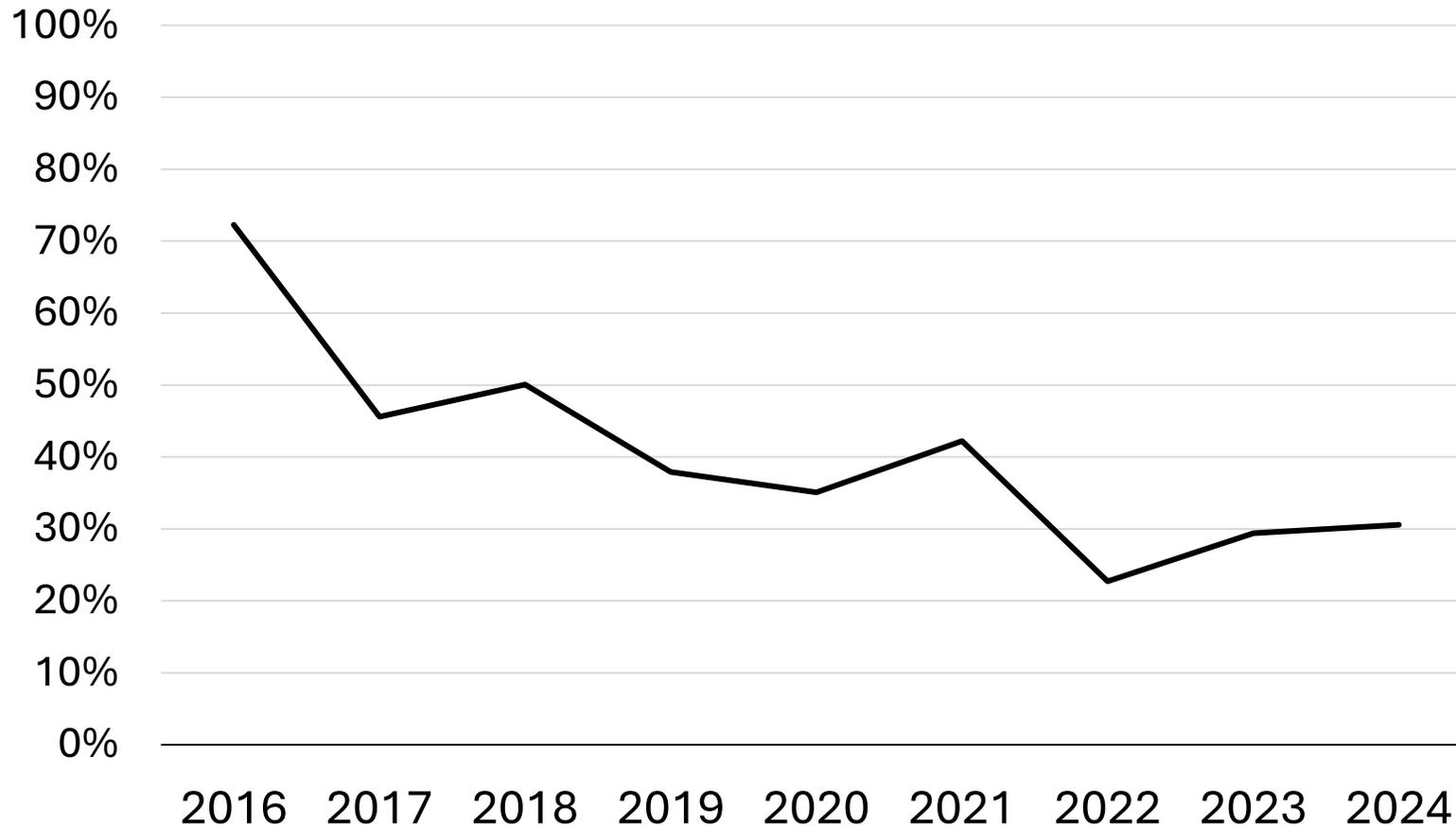
Remaining WDF \$ for DW Program



Take Away

The amount available for State DW Program has trended downward.

Percent of Receipts for State DW Program

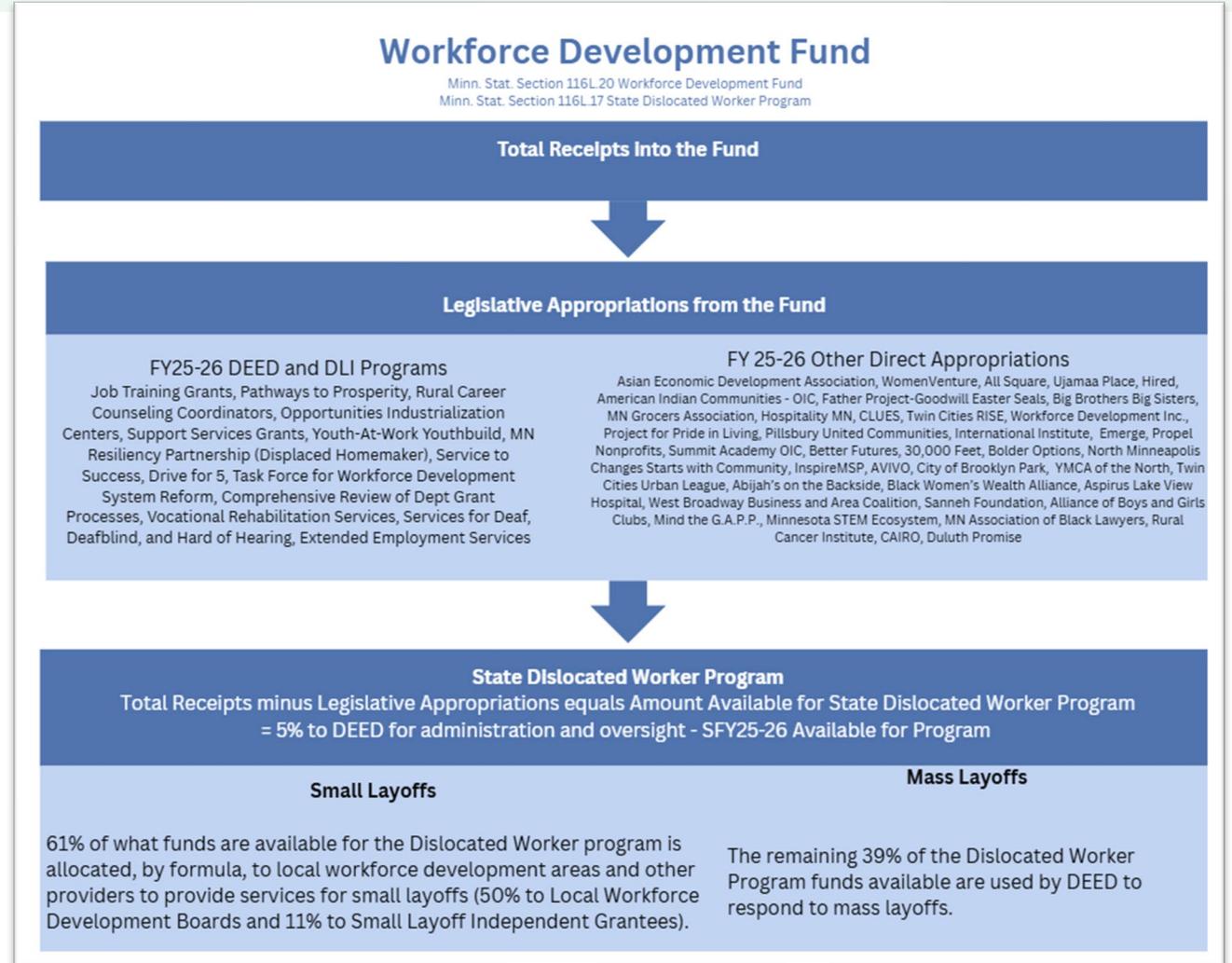


Take Away

Over time, less of available funds are being used for the Dislocated Worker Program.

2025 Session DW Outcome

- 53% reduction / \$7 million less in FY26
- \$13 million for the Dislocated Worker Program and \$6.9 million for Local Boards to administer small layoffs portion.



Total Receipts into the Fund



Legislative Appropriations from the Fund

FY25-26 DEED and DLI Programs

Job Training Grants, Pathways to Prosperity, Rural Career Counseling Coordinators, Opportunities Industrialization Centers, Support Services Grants, Youth-At-Work Youthbuild, MN Resiliency Partnership (Displaced Homemaker), Service to Success, Drive for 5, Task Force for Workforce Development System Reform, Comprehensive Review of Dept Grant Processes, Vocational Rehabilitation Services, Services for Deaf, Deafblind, and Hard of Hearing, Extended Employment Services

FY 25-26 Other Direct Appropriations

Asian Economic Development Association, WomenVenture, All Square, Ujamaa Place, Hired, American Indian Communities - OIC, Father Project-Goodwill Easter Seals, Big Brothers Big Sisters, MN Grocers Association, Hospitality MN, CLUES, Twin Cities RISE, Workforce Development Inc., Project for Pride in Living, Pillsbury United Communities, International Institute, Emerge, Propel Nonprofits, Summit Academy OIC, Better Futures, 30,000 Feet, Bolder Options, North Minneapolis Changes Starts with Community, InspireMSP, AVIVO, City of Brooklyn Park, YMCA of the North, Twin Cities Urban League, Abijah's on the Backside, Black Women's Wealth Alliance, Aspirus Lake View Hospital, West Broadway Business and Area Coalition, Sanneh Foundation, Alliance of Boys and Girls Clubs, Mind the G.A.P.P., Minnesota STEM Ecosystem, MN Association of Black Lawyers, Rural Cancer Institute, CAIRO, Duluth Promise



State Dislocated Worker Program

Total Receipts minus Legislative Appropriations equals Amount Available for State Dislocated Worker Program
= 5% to DEED for administration and oversight - SFY25-26 Available for Program = \$13,966,862

Small Layoffs

\$8,519,784

61% of what funds are available for the Dislocated Worker program is allocated, by formula, to local workforce development areas and other providers to provide services for small layoffs (50% to Local Workforce Development Boards (SFY26 \$6,983,431) and 11% to Small Layoff Independent Grantees (SFY26 \$1,536,353).

Mass Layoffs

\$5,447,078

The remaining 39% of the Dislocated Worker Program funds available are used by DEED to respond to mass layoffs.

Highlight: Talking Paper

A Deeper Dive: Resourcing Our Local Workforce System

Taking Stock of the Challenges and Opportunities We Face and Equipping for Conversations to Come

PURPOSE

The goal of this paper is to provide key information on the state of funding for local workforce development system to MAWB members. The MAWB Operations Committee called for the development of this paper to ensure that all board members have access to baseline, up-to-date information on funding. Challenges, opportunities, and next steps will be outlined.

CHALLENGES

Over the past years, there have been ongoing decreases [to](#) funding for the public workforce system. With some indicators showing potential economic [slow down](#) (slower pace of hiring, layoffs increase), the likelihood of ongoing funding challenges as demand for services likely increases appears to be higher.

Federal funding:

[WIOA Title I](#) Program Allocations have steadily decreased over the past few years. Compared to PY2021, there are \$8 million fewer dollars making their way to Minnesota – 28% fewer dollars this year.

Meeting the mandates of WIOA is significantly more challenging with this level of decreased funding.

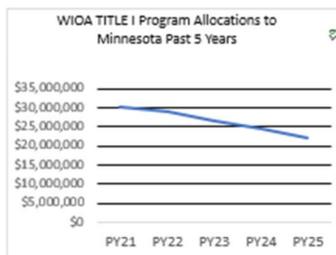
These trendlines do not appear likely to change. Current proposals at the federal level include cuts as deep as 35%, though the Senate appears open to keeping funding closer to current levels.

State Funding:

In 2023, the Legislature made significant investments, many of them “one-time” investments, given the budget surplus at the time. Significant funding increases made it possible for local areas to serve more people through the Minnesota Youth Program and other competitive grant programs even as federal funding decreased.

This year, the State had a projected \$6 billion deficit in the FY28-29 biennium. Legislators faced the choice to make reductions now to try to avoid the depth of cuts needed in the “out” biennium. The Workforce and Jobs Conference Committee were given a \$30 million reduction in General Funds in FY26-27 (and \$40 million reduction in FY28-29) for their budget target as they built their omnibus bill this year. This marks a significant reduction in resources.

This reduction is compounded by the end of the one-time funding increases passed in the 2023 Budget. Those one-time spending increases, including the additional \$4.511 million for the Minnesota Youth Program, ended.

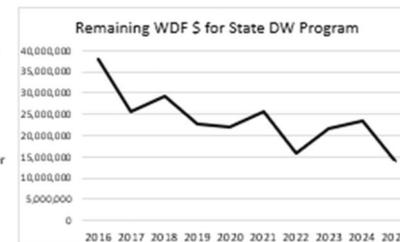


Data gathered from Department of Labor TEGL, State of Minnesota Consolidated Fund statements.

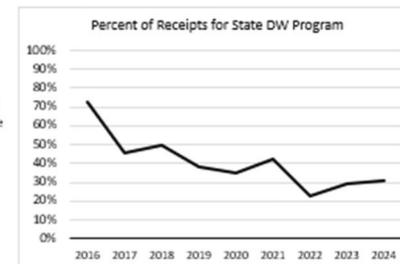
Highlight: Workforce Development Fund and the State Dislocated Worker Program

One result of the [budget](#) passed this year was increased use of the Workforce Development Fund (WDF). The WDF is separate from the General Fund, with its own income from a special assessment [on](#) employers. As a result of the General Fund reductions and difficult budget targets given to the Committee (reductions of \$30 million in FY26-27), [more resources were spent out of the WDF in FY26-27 \(around \\$73 million\)](#) and some programs that were previously funded out of General Fund were shifted over to the WDF.

This spending had a particularly difficult impact on the State Dislocated Worker Program, which is funded by whatever remains after legislators appropriate from total receipts into the fund. With fewer resources available after appropriations this biennium, the allocation for State Dislocated Worker was reduced significantly this year. Local workforce development areas received an overall 53% cut to State DW allocations. This cut is difficult given the reduction in federal funds combined with the uptick in layoffs and concerns about economic trends.



Over the past decade, the remaining funds available for the State Dislocated Worker Program have trended downward. As receipts into the fund have trended upward, the [percent](#) of receipts remaining for [State](#) Dislocated Worker Program have trended downward. Over the WDF's history, more programs (state programs and direct appropriations) have been added to the list of those funded out of the WDF.



Due to compounding effects of ongoing federal cuts and the difficult financial forecast facing the state, the reductions in funding in 2025 were especially sharp for local areas.

OPPORTUNITIES

Minnesota is a state that values and emphasizes workforce development. For example, the Workforce Development Fund is unique, and ensures Minnesota invests in human capital in a comprehensive and effective way. Over the years, the fund has shored up the state's workforce system when federal funds have decreased, while helping

Data gathered from Department of Labor TEGL, State of Minnesota Consolidated Fund statements.

Local Boards bring unique strength to the Public Workforce System

- Make up
- Community leaders
- Charge and purpose of boards



Local Boards are trusted stewards of public funds and produce strong outcomes.

WIOA Title I and III Customers Impact Report

Program Completers Served



18,160

Staff-Assisted Program Completers Served

Economic Impact



\$540,151,544

Total Estimated Annual Earnings for All Employed

Employment Success



64.6%

Percent Employed



\$46,056

Estimated Average Annual Earnings Per Person

What Next?

Advocating for our public, local workforce system.

- Connect with your fellow board members and your local area director to talk more.
- Use your tools - you have influence!
- Consider who is in your network. How can you share this information?
- Connect with your local legislators about the value of workforce boards.
- Advocacy asks from MAWB

