

## **Leveraging Funds: A report on the current state of identifying opportunities and using non-USDOL funding sources for Labor Market Information activities.**

A report for the NASWA LMI Committee by:

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### **Overview**

As part of overall discussions on funding and budget issues, the National Association of State Workforce Agencies' Labor Market Information Committee identified several areas of interest. One of those topics was "leveraging funds," due to the frequent usage of that term by ETA as a solution to funding shortages. A subcommittee of members from Arizona, Montana, New Hampshire, South Carolina, and Wyoming undertook the task of looking more closely at this topic. Following is a discussion of the study and its results.

Based on discussions within the committee and a review of program year 2004 Annual Reports, it was apparent that there was a wide spectrum of leveraging activity within individual states. Some states utilized virtually no leveraged funds, while others had a lot of experience with leveraged funds. Most states appeared to fall somewhere in the middle. Therefore, the study was narrowed to providing a current snapshot of funding sources and leveraging activity within LMI shops.

To keep costs at a minimum, the subcommittee chose an electronic survey to canvas LMI Directors in all 50 states and the District of Columbia. The survey consisted of 12 multiple-choice and fill-in-the-blank questions, which sought to identify:

- The type and relative size of funding sources,
- Specific entities that may be sources of leveraged funding,
- Barriers that may exist to using leveraged funding, and
- Best practices in the area of leveraging funding.

29 LMI shops provided usable responses. The following generalizations are based on those replies.

## Funding Sources

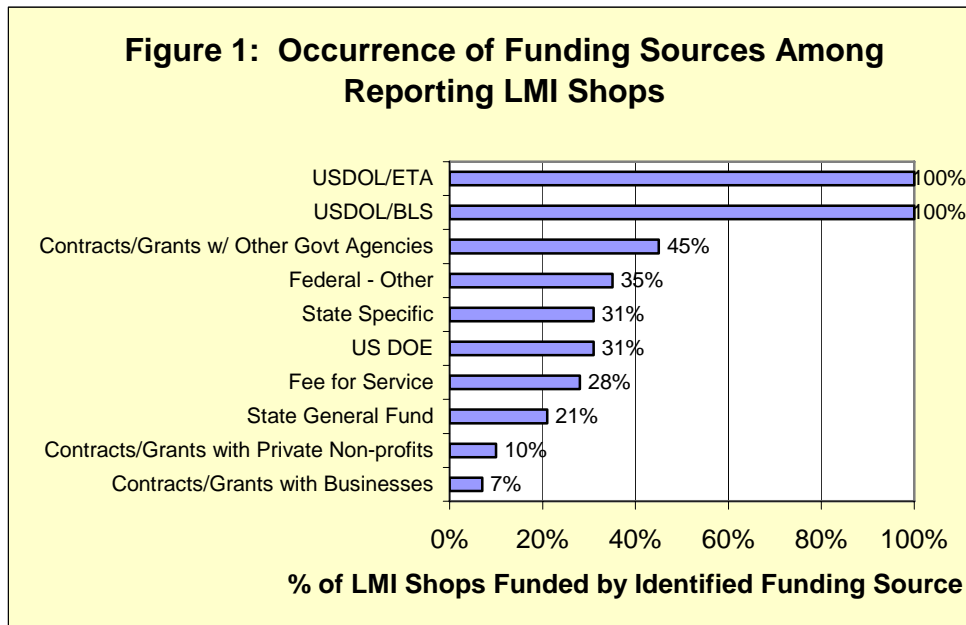
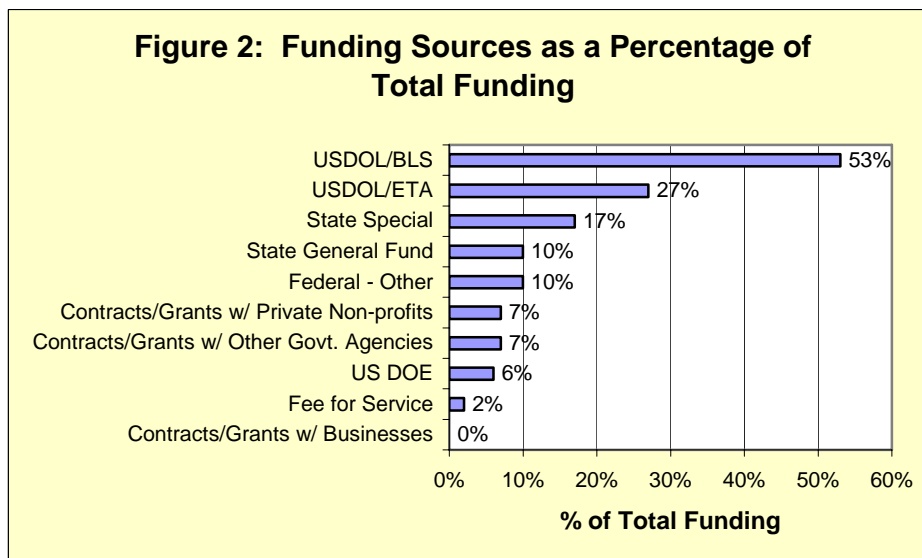


Figure 1 shows the breakdown of funding sources identified by the respondents. Every LMI shop reported ETA and BLS as a source of funding. Contracts and grants with other agencies (45%), Federal – Other (31%), and US Department of Education (31%) rounded out the top five. At the bottom end, only two LMI shops (7%) reported leveraging funds from businesses.

LMI shops were also asked to identify what percentage of their funding was represented by each identified source of funding. Figure 2 shows the significance of each funding source reported by LMI shops relative to overall funding. Please note that each percentage is calculated relative to only those shops reporting a specific funding source, so percentages will not add up to 100%.



For all shops reporting, BLS funding constituted the largest portion of the shop's overall funding, at an average of 53%. ETA funds represented a little over a quarter of the average shop's funding at 27%. Of the ten shops reporting the use of state-specific funding, that source amounted to an average of 17% of their funding. State general fund, federal funding from the US Department of Education and other non-USDOL sources, and contracts/grants with government agencies and private non-profits each made up from six to ten percent of the funding for shops reporting those specific sources of funding.

A subsequent question asked shops to identify what amounts of each funding source were considered one-time-only. Shops reported very little of their funding as one-time-only, with most reporting none of their funding as one-time-only. Two funding sources that received multiple votes for being over 75% one-time-only were contracts and grants with other government agencies, and fee-for-service.

### **Leveraging Activity Levels in the States**

States were asked in the survey whether or not they leveraged funds to support their LMI activities. Leveraging was defined as a "transfer of resources," with examples to include contracts, direct funding, printing costs (partner agency uses their funding to print a joint product), or in-kind donations. 19 of 29 states, or 66%, indicated that they did leverage funds.

Those 19 states were also asked if they leveraged with other state agencies and to provide specifics on the entities and amounts leveraged. 14 (74%) indicated they leveraged funds with other state agencies, and identified a wide variety of agencies and dollars leveraged. To summarize these results, it can be said that state and local workforce boards, institutions of higher education, and state workforce or economic development agencies were in the majority of agencies identified. There were no trends identified in the amounts leveraged, as these amounts ranged from \$5,000 to \$75,000.

Additionally, the 19 states indicating they leveraged funds were also asked if they leveraged with businesses and to provide specifics on the entities and amounts leveraged. A much smaller number (2, or 11%) indicated they leveraged with businesses. Examples of businesses with who funds were leveraged included an industry/trade association within a state, which also could be considered leveraging with a private non-profit.

States were also asked to provide a listing of some/all of the projects in work or completed as a result of leveraged funds. Although the entire list is large, a majority of the projects fell into the following categories:

- Career products, to include career information delivery systems and various publications,
- Vacancy, labor availability, and employee benefits surveys,
- Specialized studies (laborshed, gender wage equity, cluster research, regional profiles, etc),
- Projections development and distribution,
- Printing and mailing of publications,
- Electronic distribution (websites and web applications), and

- Participation in career conferences, job fairs, etc.

The 10 states indicating they did not leverage funds were asked what prevented them from leveraging. 6 of those states indicated that a “lack of awareness of how to leverage” prevented them from successfully leveraging funds. Three states responded that based on their specific funding situation, leveraging was currently not necessary. Other responses, with one response each, included “state policies/laws,” “lack of staff,” and “administration.”

All 50 states and the District of Columbia were then asked a follow-on question to supplement these responses. The question asked, “*Based on your experiences (regardless of whether you leverage funds or to what degree), what challenges and problems have you encountered while trying to leverage some source of additional funding (i.e., problems with producing quick-turn estimates, problems writing contracts, etc.)?*”

Responses to this question fell into the following general categories:

- Not being prepared for the often short turnaround time given to develop and submit a proposal,
- Lack of familiarity (both grantor and grantee) with processes specific to state agencies,
- Proposed projects are sometimes outside of scope, expertise, or mission of LMI shop,
- Funds are short all around – customer often don’t have the \$\$ to fund requested project,
- Short-term nature of leveraged funds doesn’t easily facilitate long-term planning,
- Old perceptions die slowly – “Why are you charging for something that used to be free?”
- Growing your customer/niche market base is a slowly evolving process,
- If leveraged funds are being used to support current payroll, staff may be stretched thin to accomplish the additional work, and
- State laws/policies are cumbersome/preventative in nature.

### **Best Practices**

States were also asked in the survey, and in a subsequent follow-on email, to identify what they felt were their best practices/techniques/processes that they felt had positively impacted their ability to leverage funds.

Responses generally fell into the following categories:

- Partnering with other agencies on development/production of electronic tools,
- Partnerships with researchers on studies,
- Use of unpaid interns,
- Agency/business/non-profit \$\$ contribution to products/publications,
- Funding from Workforce Investment Boards on state/local studies,
- Marketing through publications, presentations, and networking,
- Establishing a process/template to quickly determine cost and scope of a request. This enables a quick decision on whether to take on a project and for how much, and quick execution of a contract,

- Building the reputation for doing good work, therefore becoming the “first choice” for labor market information, and
- Identifying specialized or ‘niche’ markets where skills/data/information are at a premium.

### **Where do we go from here?**

As stated earlier, the intent of this study was only to create a snapshot in time of where the LMI community is when it comes to leveraging funds/resources. Our results showed that theories, practices, and successes varied widely from state to state. Some states are only now hitting a funding crisis that forces them to look at leveraging, while other states have varying levels of experience in financing their operations with funding other than the “traditional” LMI funding sources. Many states face the same challenge of managing expectations among their customers and slowly (or not so slowly) transitioning their customer base to some level of “pay for play.” Additionally, states that rely on leveraged funds to pay their current staff face the challenge of accepting additional work and without increasing their personal services or operational costs.

On the positive side, many states have adapted to the changing environment, have established their ability to quickly respond to and capitalize on opportunities, and are starting to become comfortable using new sources of funding and resources.

Although it is beyond the scope of this subcommittee to determine a direction for LMI shops to take when addressing funding shortfalls, it does appear that most shops will by necessity use leveraged funds in the upcoming years. States who are just entering that phase would most likely benefit from lessons learned by other shops. Without the benefit of a crystal ball to identify future trends for federal funding, this much is known: in our current environment of stagnant/decreasing federal funding and increasing salaries, a lack of additional funding directly translates to reduced personnel, products, and services. At a minimum, we would suggest that states network/communicate with other states to recognize and avoid barriers, and to identify and capitalize on best practices for leveraging funding to support current and future activities.