

TO: Workforce Investment Board

DATE: 05/10/07

**FROM: Executive Committee
Youth Council**

For Action

For Information

For Discussion

**SUBJECT: Local Workforce Investment Area (LWIA) Proposed Performance Goals –
PY 2006-2007**

**PROPOSED MOTION(S): Ratify the Executive Committee’s action to renegotiate the State’s
proposed LWIA Performance Goals for PY 2006-07.**

**DISCUSSION: The State has sent out proposed performance goals for PY 2006-07. Local
Workforce Investment Boards wishing to renegotiate these goals had to prepare their
proposals and submit them to the State of California Employment Development Department
no later than April 20, 2007.**

**With the exception of Adult Average Earnings, the Executive Committee accepted the
proposed performance goals.**

**The Average Earnings performance goal is a newly calculated goal. In the past, the goal was
calculated by comparing old earnings to the earnings gained by moving to a new job. The new
calculation is very simple. Of those exited, what is the average total wage for the time worked
in the 2nd and 3rd quarters after exit. The old figure was generally +\$3,000; the new
performance figure is generally between \$10,000 - \$15,000.**

**The proposed goal for Merced County’s Adult Average Earnings is \$14,800. Only five (5)
other counties have a higher performance goal - \$15,000. Those are the Counties of Alameda,
Marin, Napa, and Santa Clara, and City of Richmond.**

Local / Similar LWIAs Adult Average Earning goals:

Fresno	\$9,800
San Benito	10,000
Stanislaus	10,800
Madera	11,800
Kings	11,800
Tulare	11,800
Santa Clara	15,000

**The Merced County LWIA has requested that the performance goal be renegotiated from
\$14,800 to \$11,800.**

**ATTACHMENT(S):
Renegotiation Letter**



**WORKFORCE
INVESTMENT BOARD
MERCED COUNTY**

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April 19, 2007

Mr. Bob Hermsmeier, Chief
Workforce Services Division, MIC 69
Employment Development Department
PO Box 826880
Sacramento, CA 94280-0001

Dear Mr. Hermsmeier:

The Merced County Local Workforce Investment Area (LWIA) wishes to renegotiate the Program Year 2006-2007 performance goal for Adult Average Earnings. Based upon Labor Market information and Merced County's demographics and Unemployment Rate, and a comparison between the State's goal and the economies and performance goals of seven (7) Central San Joaquin Valley LWIAs, the Merced County LWIA requests that its Adult Average Earnings Performance Goal be \$11,800.

Our request is justified through an analysis of State goals, regional goals, and local workforce investment area characteristics. The Counties of Merced, Madera, Kings, Kern, Tulare, Stanislaus and Fresno, all part of the Central California Workforce Collaborative, were analyzed to provide statistics and logic for this request.

First: A look at the Adult Average Earnings Goals for the seven counties reveals a mean goal of \$11,542.86 and a median goal of \$11,800. The State goal is \$11,800.

Second: The Adult Average Earnings PY 2006-2007 Performance Goals for each of the above counties were compared. Merced County's goal is \$14,800—\$3,000 higher than any of the other counties in the region. When you align the LWIAs from the highest goal (Merced at \$14,800) to Fresno at \$9,800, there is a \$5,000 difference.

One would tend to look at the performance goals and interpolate that the highest paying jobs are in Merced and the lowest in Fresno. This is not true and the chart below shows the opposite:

LWIA	Average Payroll per Employee
Fresno	\$26,787
Kern	26,550
Stanislaus	26,447
Tulare	24,020

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Kings	23,731
Merced	22,789
Madera	20,132

Next, an assumption could be made that Merced has the highest Adult Average Earnings Goal because its Unemployment Rate is the lowest in the Region. Again, this does not ring true:

LWIA	Unemployment Rate
Madera	8.2%
Kern	8.5
Stanislaus	8.8
Fresno	9.5
Tulare	10.1
Kings	10.6
Merced	11.5

Keeping in mind that the Central Valley has some of the greatest economic, demographic, and growth challenges in the State, please consider the following:

1. There are only 5 LWIAs having a higher goal than Merced County – the higher goal is only \$200 more and none of the LWIAs are in the Central Valley.
2. There are only 2 other LWIAs with the same goal as Merced County and neither of them are in the Central Valley.
3. There are 43 LWIAs with lower goals than Merced County.

We assume that the PY 2006-07 Performance Goal for Adult Average Earnings was mainly based on Merced County's Success Rate of 257.84% in the PY 2005-06 Adult Earnings Change. But success rates are deceiving. Our success rate was high because of a Workforce Investment Board (WIB) decision to invest heavily in the healthcare industry cluster and the nursing occupation in particular. The WIB enrolls 6 Registered Nurses every academic semester and 12 Licensed Vocational Nurses every 18 months. Over 20% of those participants included in the 2005-06 performance goal calculation were RNs and LVNs whose earnings were between \$18.00 and \$30.00 per hour.

But, several factors will influence the PY 2006-07 Adult Average Earnings Goal and beyond. The dollars available to train nurses keep shrinking, both DOL allocation and grant monies. Second, the cost of training nurses is rapidly rising. Third, the Merced County LWIA has chosen to support a second industry cluster of manufacturing. While this decision is positive considering national, state, and regional aims of increasing manufacturing, in the relative short term, it is a negative decision for this performance goal for Merced County LWIA. Overall, the nursing core of our past performance will shrink and be supplemented by comparatively lower paying manufacturing jobs that range from \$9.00 to \$20.00 per hour. While we believe we can exceed \$11,800 average earnings, we expect our success rate concerning earnings to be acceptable but not as spectacular as in the past.

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Mr. Bob Hermsmeier
April 18, 2007
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Lastly, our request reflects the Merced County LWIA's commitment to continuous improvement. This movement is designed to bring gradual but continued improvement to our WIA programs. Inherent to continued improvement is a reasonable, cogent and attainable baseline for measurement. The new PY 2007-2008 Adult Average Earnings Rate will establish a new baseline. The LWIA's requested goal of \$11,800 will allow for continuous improvement. The State's proposed goal of \$14,800 will potentially set the baseline so high, that when Merced County's economy and demographics are factored into the equation, continuous improvement may prove to be untenable.

To summarize: The Merced County LWIA is requesting that its PY 2007-2008 Adult Average Earnings goal be renegotiated to \$11,800. This figure more accurately reflects the economics, demographics and service mix within the LWIA.

Designated Contact Person:
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Sincerely,

Robert Harmon
Chair

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