

## **One-Stop Operator (OSO)**

### **Issues**

Both WIA and WIOA required each Workforce Board to designate a One-Stop Operator and to determine the functions of such. Typically, the OSO handles overall management of the one-stop centers, coordination of partners, and daily service delivery.

Under WIA, it was clear that the Workforce Board could designate itself as the OSO and utilize its staff to carry out those functions. In Northwest Michigan we chose this option from the beginning of WIA because we did not want an additional layer of management between the Board and the service delivery. Twenty-two of the twenty-four Workforce Boards in Michigan currently serve as their own OSO.

Many believe there is conflicting language in WIOA about whether the Board can designate itself as the OSO. The U.S. Dept. of Labor seems to be interpreting the law as requiring Boards to put the OSO function out for competitive bid. The Michigan Works Directors do not read the law that way. We have submitted the attached position paper to USDOL for its consideration during their Rule Making process for WIOA.

Another layer of this issue is the option for the Boards to deliver services (not including actual job training) in-house as opposed to using subcontractors. Our Board brought all services in-house a few years ago. WIOA clearly says that Boards can deliver their own services if they are the OSO. That statement conflicts with the requirement that Boards must put their OSO out for bid.

We are not getting indications from USDOL that they will interpret the law as we do. We are preparing Governor Snyder's office to take a strong position on this issue for Michigan. We are encouraging the state's Talent Investment Agency to support us and indications are strong that they will. However, at this point in time, they have issued a Policy Instruction Letter "strongly encouraging" Michigan Works Agencies to implement a competitive bid process for the OSO function.

It is unlikely that USDOL's Rule Making process will be completed in a timely manner, prior to us having to begin implementing WIOA.

### **Recommended Action**

Staff highly recommends that the Workforce Board continue to serve as the One-Stop Operator, and continue to deliver services with in-house staff as opposed to use of subcontractors.

Under the circumstances of somewhat ambiguous language in WIOA, and in the absence of official Rules for implementation of WIOA, and given the strong position in Michigan for continuation of the Workforce Boards serving as the One-Stop Operators, it is the staff's recommendation that the board adopt the attached resolution naming the Workforce Board the One-Stop Operator for WIOA, foregoing a competitive bid process.

The resolution and its supporting case statement will need to be incorporated into our official program plan document, submitted to the state, and then be approved by the Governor.

One Stop Operator  
WIOA Rulemaking Recommendation

A majority of the local boards in Michigan have served as the One Stop Operator since the beginning of WIA. The purpose and function of a One Stop Operator is to coordinate the many services, often delivered by multiple providers, within the one-stop service center. We believe that the most efficient and cost-effective means of providing this coordination is through the Workforce Development Boards (WDB). This has produced high quality one stop operations, increased efficiency, and enhanced performance. It is important that this practice continue under WIOA, especially when taking into account WIOA functions of the local board:

- Determining what is most appropriate for the local area including the functions of convening, brokering, and leveraging.
- Ensuring alignment to the mission of the local board and compliance requirements, versus less connected contracted entities.
- Ensuring the local plan aligns with the state plan.
- Ensuring regulatory compliance without a redundant layer of oversight or lack of alignment to the Board's vision that may otherwise occur by funding multiple layers of management.
- Fully responsible for the program oversight.
- Fully responsible for the MOU regardless of whom is the One Stop Operator.

It is our opinion that WIOA language regarding the designation of the One Stop Operator outlines two options in legislation, which are in agreement and offer two distinct processes. One process outlines the ability to designate or certify the local WDB as the One Stop Operator. The other outlines a process to select an eligible provider to be designated.

- 107(d)(10)(A) SELECTION OF ONE STOP OPERATORS states "*Consistent with section 121(d), the local board, with agreement of the chief elected official for the local area (i) shall designate or certify one-stop operators as described in section 121(d)(2)(A); and (ii) may terminate for cause the eligibility of such operators.*" Section 121(d)(1)&( 2) gives the local board authority to carry out this function, with agreement of the chief elected official. This process does not require agreement of the Governor. It states that the one-stop operators "*shall be designated 'or' certified as one-stop operators through a competitive process;*"
- 107(g)(2) DESIGNATION OR CERTIFICATION AS ONE-STOP OPERATORS states "*A local board may provide career services described in section 134(c)(2) through a one-stop delivery system or be designated or certified as a One Stop Operator only with the agreement of the chief elected official in the local area and the Governor.*" This section is substantially similar to former section 117(f)(2) of WIA, in which we are currently operating.

In order to provide for a smooth transition from WIA to WIOA, we advocate that WDA support this interpretation. Inferring that a competitive processes is required with either option of designating or certifying a One Stop Operator introduces redundancy of functions, expends limited resources for procurement that otherwise could be used for job seeker and/or business services, undermines the authority and role of the local board and further complicates current progress underway towards aligning local boards around the Governors prosperity regions. Not to mention legal and political concerns regarding conflict of interest and/or false procurement that could be raised by requiring an entity (the local WDB) to perform procurement prior to requesting they themselves be designated as the One Stop Operator.

Aside from the two processes that we feel are clearly outlined in WIOA, Michigan Act 491 of 2006 establishes Michigan Works! as the operator of Michigan's One Stop Service Centers in order to provide integrated and coordinated workforce development programs tailored to local needs.

- 408.123;Sec 13(f) LOCAL WORKFORCE DEVELOPMENT BOARD; DUTIES states "*Oversee the operation of the one-stop delivery of services through the Michigan Works one-stop service center system*".

Recognizing the need for a smooth transition from WIA to WIOA Sec 193 of WIOA legislation speaks to the continuation of State activities and policies and states "*the Secretary may not deny approval of a State plan for a covered State.....or find a covered State in violation of a provision of this title on the basis that – (3) the State proposes to carry out or carries out a State procedure through which the local boards in the State designate or select the one-stop partners and one-stop operators of the statewide system in the State under prior consistent State laws, in lieu of making the designation or certification described in section 121*". This section speaks directly to the ability of the State of Michigan to provide for a continuation of current State legislation. Continuing to certify or designate local WDBs as One Stop Operators, with agreement of the CEO and the Governor without a competitive process, allows the system some stability while transitioning programs and services to WIOA.

**To align with the functions of the local board and to be in harmony with the purpose of WIOA, we encourage the State of Michigan to support us in encouraging DOL to consider through their rulemaking Sec 107(d)(10)(A), consistent with Sec. 121(d) and Sec. 107(g)(2) to be concurrent and provide clarity that the local board may be certified as the One Stop Operator with the agreement of the CEO and the Governor without a competitive process. We also encourage the State of Michigan to exercise their authority to utilize Sec 193 of WIOA and provide continuity to our system by continuing to recognize Michigan Works! as the One Stop Operator as established in current State law.**

**DRAFT - Networks Northwest Board Resolution -DRAFT**

**Whereas** the Workforce Development Board under the Workforce Investment Act (WIA) has been designated by the Board, and approved by the Governor, to be the One-Stop Operator since the inception of WIA, as authorized by WIA and as allowed by the Workforce Investment and Opportunity Act (WIOA) which replaces WIA on July 1, 2015; and

**Whereas** the Chief Elected Officials or their designated county commissioners of the region have endorsed that practice; and

**Whereas** the benefits of addressing the One-Stop Operator role as an internal staff function as opposed to through a subcontractor is more cost effective, provides direct lines of communication with front-line staff, and improves effectiveness; and

**Whereas** the Board's role as the One-Stop Operator is a federal requirement under both WIA and WIOA in order for the board to deliver career services through in-house staff as opposed to subcontractors; and

**Whereas** delivery of career services through in-house staff has allowed the Board to dramatically increase the amount of funding for direct customer services by eliminating subcontractor overhead costs; and

**Whereas** the attached Case Statement clearly identifies the benefits of efficiency, effectiveness and quality associated with the Board being the One-Stop Operator and therefore also delivering career services through in-house staff;

**Therefore be it resolved** that the Networks Northwest Board, comprised of the Workforce Development Board and the Chief Elected Officials Board, working together as the unified Networks Northwest regional prosperity board, hereby approve the Board, through its CEO and staff, to serve as the One-Stop Operator under WIOA, and to so indicate in its WIOA One Stop Operations Plan for Governor's approval.

**Adopted by the Networks Northwest Board on** \_\_\_\_\_  
(date)

**Attested to by its Chairperson** \_\_\_\_\_  
Gary W. Fedus (signature)

**And its Chief Elected Official** \_\_\_\_\_  
Chris Christensen (signature)

## **Case Statement**

**This is an analysis of the benefits of the Northwest Michigan Workforce Development Board being the One-Stop Operator, and then also delivering all career services through in-house operations as opposed to through subcontractors (for which being the One-Stop Operator is a requirement).**

### **Benefits of the Board Being the One-Stop Operator**

- Since the inception of WIA, the Northwest Michigan Workforce Development Board has been the One-Stop Operator; therefore we have no exact comparison figures from use of a subcontractor to analyze.
- However, based on our experience with the functions needed to fulfill the One-Stop Operator role, we can make the following fair, estimated comparison:
  - The following internal positions are dedicated to the functions of One-Stop Operator for the ten-county area:
    - Chief Operating Officer, 1 @ 50%
    - Operations Managers, 2 @ 100%
  - Calculating salaries, fringe benefits, travel and overhead, these 2.5 positions cost \$300,000 (\$80,000 for COO @ 50% and \$220,000 for Operations Managers).
  - A subcontracted One-Stop Operator would need to have 3 FTEs at an estimated cost, including salaries, fringe benefits, travel and overhead, of \$360,000.
  - Calculation of savings:
    - Cost of subcontracted OSO:     \$360,000
    - Cost of Board being OSO:       300,000
    - Savings:                         \$ 60,000
  - Savings can be put into direct customer services & training.
  - Additional benefits include:
    - Determining what is most appropriate for the local area including the functions of convening, brokering, and leveraging.
    - Ensuring alignment to the mission of the local board and compliance requirements, versus less connected contracted entities.
    - Ensuring the local plan aligns with the state plan.
    - Ensuring regulatory compliance without a redundant layer of oversight or lack of alignment to the Board's vision that may otherwise occur by funding multiple layers of management.
    - Fully responsible for the program oversight.
    - Fully responsible for the partnerships that are required regardless of whom is the One Stop Operator.
    - Ensuring simplified logistics and faster response times for the many, daily operational issues such as keeping supplies on hand, responding to problem customers, providing performance feedback to staff, etc.

### **Benefits of the Board Delivering Career Services In-House**

- **In order to deliver career services with in-house staff, the Board must be the designated One-Stop Operator.**
- **See analysis as submitted to Michigan Workforce Development Agency, attached.**

## MWA Direct Delivery Effectiveness

### July 1, 2013 – June 30, 2014

**MWA Name:** Northwest Michigan Works! (a program of Networks Northwest)

**Date:** December 4, 2014

Please document the cost savings, cost sharing, and/or resource shifting realized as a result of the direct delivery of client services, in regards to the criteria listed below.

<i><b>Description:</b></i>	<i><b>Outcome:</b></i>
Staffing numbers (i.e. increased, decreased, flat)	<p>Administrative positions have decreased by \$150,000. Since bringing the programs in-house on July 1, 2012, we have gradually been able to add 3 FTEs for direct services.</p> <p>We have been able to promote one of the previous subcontractor's admin support staff to a professional position, rather than filling that need through the hiring of a new person. This saved us one FTE in the long run because we had anticipated needing to fill that professional position within the year.</p> <p>Although we have had a 46% decrease in JET funding over the past three years, this transition to in-house operations is allowing us to operate PATH without laying off any staff. Therefore, quality has improved.</p>
Salaries and fringe benefits costs (insurance, retirement costs, etc.)	No change in average FTE salary & fringe cost; however, much higher percentage of funds is now used for direct customer service rather than overhead.
Facility costs	No change, only because we had negotiated no-cost facilities from our subcontractor due to limited resources.
Equipment and technology costs	Approx. reduction of \$25,000/year.
Miscellaneous costs	Elimination of subcontractor overhead costs at \$400,000/year; these funds have been put into direct customer services instead.

Additional participants served	Est. at an average of \$1,500/participant, we are now serving 383 additional participants/year.
Impact on PATH (work participation rates), TAA, WIA and WP performance metrics	<p>Impact on all performance metrics has been positive, based on faster, closer communication and problem solving. Specifically, PATH WPR increased from 50% to 75%.</p> <p>Closer relationship between subcontractor and administration during the 6 months prior to July 1, 2012, in preparation for this transition, was a big factor in our region exceeding our WIA performance standards, an improvement over the previous year in which we met but did not exceed overall. WIA performance has since continued at the “exceeding” level since bringing the programs in-house.</p>
Total cost savings	<p>\$575,000 “hard costs” saved per year, and transferred into participant services/training instead.</p> <p>\$900,000 in fee-for-service fund balance was transferred from the subcontractor to Northwest Michigan Works!.</p>
A description of any challenges and unintended consequences, positive and/or negative, as a result of the delivery of direct client services	<p>Front line staff are no longer receiving mixed messages or having important information get “lost in translation.”</p> <p>Now that our business services staff reports directly to MWA management, they are much more responsive to our new demand-driven model and our just-in-time training communication needs with employers.</p> <p>Communication efficiencies are difficult to measure or document, but they are very noticeable. Administrative staff and management staff are now in the same building so regular communication is quicker and easier. Direct service staff is now managed directly, rather than indirectly, by the fiscal agent, making lines of communication much faster and clearer.</p> <p>Since the programs and the admin office are now on the same accounting software, reports are received faster, making management decisions timelier.</p> <p>Having our operational staff on the same personnel policies, compensation plan and fringe benefits has eliminated confusion and improved morale.</p> <p>Having an opportunity to reassess, combine and adopt best practices in back-office functions from both our subcontractor and admin office has increased efficiencies in ways that are difficult to quantify but are noticeably smoother.</p>

	<p>Our implementation of “fast start” initiatives &amp; grants, such as EUC, NEG or SAG is much more streamlined and efficient, since we can convey policies, procedures &amp; duties to staff directly, and do not have to go through the time-consuming and expensive bid/contracting processes.</p> <p>Business Services staff is being held more directly accountable for their metrics and outcomes. This has been good timing with the advent of the MW Dashboard.</p> <p>Philosophy of demand model, and how it affects how we work with the job seeker side of the equation, is more readily apparent to staff than it was before through the subcontractor. The nature of subcontractors is to be supply driven.</p> <p>We are getting better responsiveness from training vendors than our subcontractor used to get (faster, more collaborative), as they now see and “feel” the direct link to our board and administrative leadership.</p> <p>Our region’s employers are less confused. For example, now they receive a check for an OJT contract from Northwest Michigan Works!, Inc. instead of from Traverse Bay Area Intermediate School District. They can relate to where the payment is coming from for the first time. That mental connection is giving them better feelings about our programs, as they see it as being a less bureaucratic system.</p> <p>We continue to see less confusion among our local partners. Elimination of the subcontracting layer has made it easier for our economic development and education partners to work with us.</p> <p>We have had ZERO negative consequences or challenges.</p>
Miscellaneous	<p>Without the savings shown above, we would have had another substantial reduction in front line staffing, which would have resulted in the closing of two one-stop centers. Therefore, this transition to in-house program operation was a preventive measure that saved us a great deal on quality and quantity of customer service, including the amount of training we can do.</p>