



COMMONWEALTH of VIRGINIA
Office of the Governor

June 20, 2007

Daniel G. LeBlanc
Senior Advisor for Workforce

Virginia Workforce Council Members
Workforce Investment Board Chairs
Workforce Investment Board Directors

Dear Sir or Madam:

Workforce development is a top priority of the Governor's Office. On the Governor's behalf, we recently completed a strategic plan for workforce development in the Commonwealth. As part of that plan, the need was identified to create substantial structural reform through consolidations to reduce administrative costs and streamline and integrate workforce policy and services for businesses, workers and job seekers. To that end, I have been working to develop options for increasing the efficiency and effectiveness of regional and local workforce development efforts through the realignment of local workforce investment areas.

I am writing to provide you with a summary of our findings and deliberations to date. The attached information will be presented to the Virginia Workforce Council at its public business meeting on June 26, 2007 in Danville, Virginia. Discussions during this meeting will help to inform the development of a final recommendation. The final recommendation will describe the best designation of workforce areas to ensure that we have a competitive workforce, a market-driven workforce development system and the greatest amount of regional leadership and cooperation.

I encourage you to remain engaged in this process. I also welcome your input and innovative thinking regarding how best to move Virginia forward in meeting the workforce needs of our employers and individuals. Thank you for your continued dedication to transforming the Commonwealth's workforce development enterprise.

Sincerely,

A handwritten signature in cursive script, appearing to read "Danney", written in dark ink.

Daniel G. LeBlanc

Attachments
CC: The Honorable Wayne Turnage, Chief of Staff
The Honorable Bill Leighty, Chief Emeritus
DL/mar

June 19, 2007



CHMURA ECONOMIC & ANALYTICS

External Realignment of Workforce Investment Areas

June 2007

Workforce Investment Areas as geographically defined in Virginia today do not align with the state's relevant regional markets for labor.

Prepared for **Daniel G. LeBlanc**
for **Senior Advisor to the Governor for
Workforce**

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CHMURA ECONOMIC & ANALYTICS

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External Realignment

Purpose

The purpose of this recommendation is to establish a set of geographic regions to increase the efficiency and effectiveness of regional and local workforce development efforts.

Background

Governor Kaine's strategic plans for economic development and workforce development both address the need to reorganize and restructure the workforce development system in the Commonwealth. Included in the goals are action items to realign workforce programs within state government (internal realignment) and to realign the local workforce investment areas (external realignment). Realignment efforts are being led by the Governor's Senior Advisor for Workforce. The internal realignment of workforce programs should result in the consolidation of programs. The external realignment should result in greater efficiencies and increased effectiveness of regional and local workforce development efforts. The Governor's Senior Advisor for Workforce is working collaboratively with the Governor's Workforce Sub-Cabinet and the Virginia Workforce Council to create a workforce development system in Virginia that is market-driven, regionally focused, and optimizes the role of the community colleges and workforce investment boards. The external and internal realignment action items are only two of several initiatives underway to implement the Governor's Workforce Development Strategic Plan.

Precedent for Redefining Regions

The Office of Management and Budget (OMB) and the Bureau of Economic Analysis (BEA) provide precedent to change regional definitions based on labor markets. After each decennial census, OMB and BEA revise their regional definitions based mainly on changes in commuting patterns that were identified in the census because commuting patterns reflect the interconnectivity of nearby counties and cities. The OMB identifies metropolitan statistical areas (MSAs) while BEA groups all counties and cities in the nation into economic areas that reflect relevant regional markets for labor, products, and information. Specifically,

The BEAs economic areas define the relevant regional markets surrounding metropolitan or micropolitan statistical areas that serve as regional centers of economic activity—and the surrounding counties that are economically related to the nodes. These economic areas represent the relevant regional markets for labor, products, and information.¹

Some of the 16 local workforce investment areas (LWIAs) currently in the Commonwealth were geographically defined with the inception of the Job Training Partnership Act (JPTA) in the early 1980s. At that time, the MSAs in the state were based on the 1970 Census, which identified six MSAs. For example, based on commuting patterns in 1970, the Virginia Beach-Norfolk-Newport News MSA was defined as two separate MSAs: Newport News-Hampton and Norfolk-Virginia Beach-Portsmouth (see Attachment A).

¹ Kenneth P. Johnson and John R. Kort, "2004 Redefinition of the BEA Economic Areas," *Survey of Current Business*, November 2004.

Virginia's Relevant Regional Labor Markets

Virginia's relevant regional labor markets point to fewer workforce areas. The relevant regional markets for labor were identified consistent with the Office of Management and Budget (OMB) and the Bureau of Economic Analysis (BEA) approaches to identifying metropolitan statistical areas (MSAs) and relevant regional labor markets (see Figure 1). Metropolitan areas were grouped together and rural areas were assigned mainly based on commuting patterns. In some cases, industry-occupation-skill sector needs were considered as well as community college borders. A final qualification for the region was that it received at least \$1,000,000 in federal Workforce Investment Act funding based on the 2007 allocation as well as at least \$1,000,000 in 2012 based on the assumption that funds continue to decline by 9% each year for the next five years (see Attachment B).

The Department of Labor has indicated that \$1,000,000 is needed to effectively operate a WIA. Seven WIAs in Virginia did not receive at least \$1,000,000 in allocations for 2007 and 10 may not receive that amount in 2012 if funding drops by 9% for each of the next five years. All of the regions within the 7 newly defined MSAs plus rural areas as well as the 6 community colleges will receive more than \$1,000,000 in 2007 as well as 2012.

Figure 1



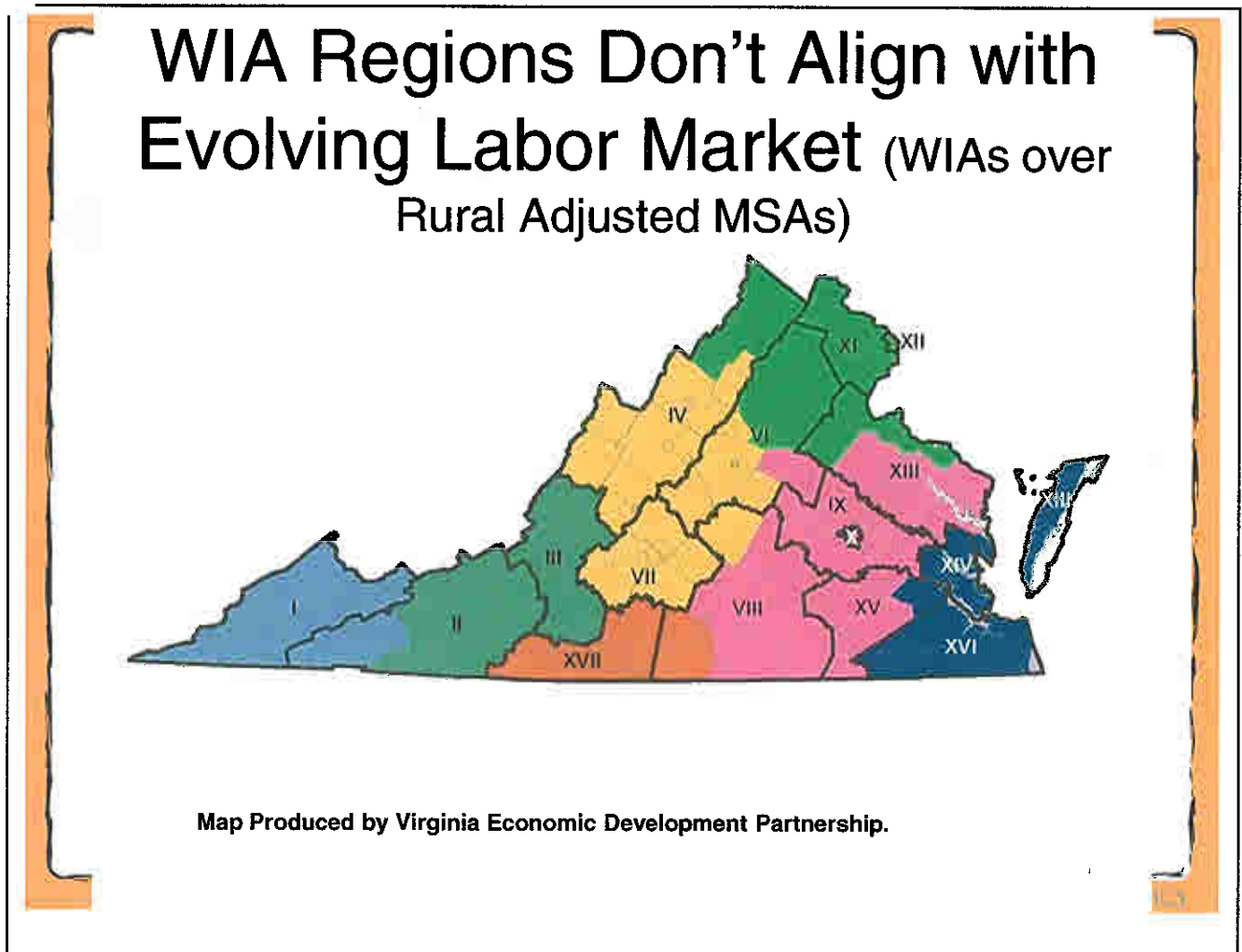
Current Local Workforce Investment Areas (LWIAs) in Virginia

The 16 LWIAs that exist in Virginia today do not align with the relevant labor markets in the state based on the current 11 MSAs and industry-cluster groups (see Figure 2). Regarding MSAs, the Bristol MSA crosses two LWIAs, the Northern Virginia MSA crosses five (5) LWIAs, the Richmond MSA crosses six (6) LWIAs, and the Hampton Roads MSA crosses two (2) LWIAs.

Similarly, the identification of like industries and occupations across counties and cities in the Commonwealth indicate that concentrations of like occupations cross WIAs. Welders, for example, are found in high concentration in the majority of the counties and cities that comprise the Virginia Beach MSA because of the importance of the shipbuilding industry in the region. However, two workforce investment boards serve that region. Presumably both are creating policies and identifying training providers to support industry demand for welders.

The labor markets of the current MSAs along with rural areas point to fewer workforce areas than the 16 in existence today. The counties and cities that make up the seven (7) rural-adjusted MSAs are listed in the appendix.

Figure 2



Recommendation

It is recommended that the number of local workforce investment areas (LWIAs) in Virginia be reduced from the current 16 to the seven (7) that reflect the MSAs as well as rural area commuting patterns (rural-adjusted MSAs). The overriding theme of the external realignment is to better serve the citizens and businesses of the Commonwealth who are the customers of the workforce development system.² The seven (7) recommended regions reflect the Commonwealth's relevant regional labor markets. Moreover, using commuting patterns as the primary determinant of establishing workforce areas creates a forward-looking region since commuting patterns typically intensify over time and eventually lead to a rural area being designated as part of a nearby MSA.³

Aligning workforce areas to the labor markets that have evolved in Virginia over the last two decades will reduce the overlap that occurs as multiple contiguous Workforce Investment Boards (WIBs) create overlapping strategies and duplicative resources to train for demand occupations needed by local firms in their regions. A smaller number of workforce areas will clearly lead to cost savings, particularly with regard to administrative funds; and, will solve the issue a number of current local workforce areas are facing where funding has dropped to levels that are reducing the effectiveness of operations.

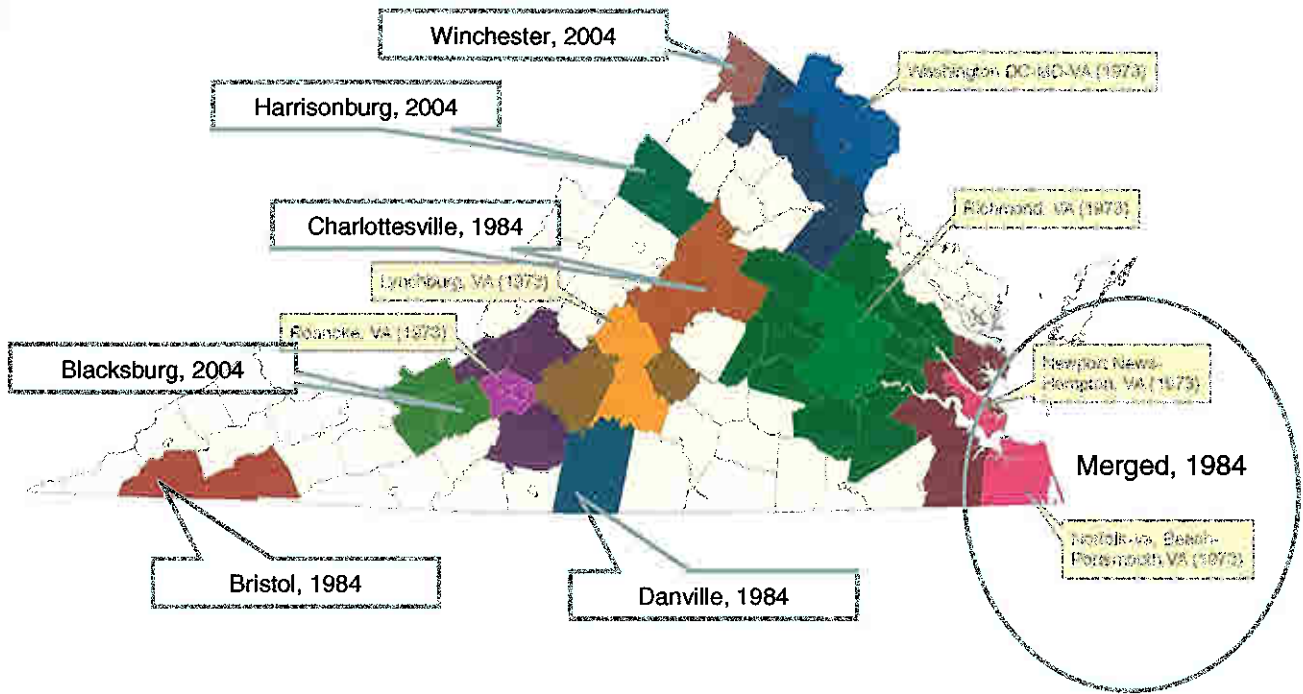
NOTE: In the event that the Commonwealth is not able to redesignate the current local workforce investment areas to align with Virginia's relevant regional labor markets, then the State should consider developing a governance structure that would align policy, planning, service delivery and information sharing with the relevant regional labor markets.

² In light of the importance of the Virginia Community College System in workforce development, the six (6) community college regions were also considered as potential regions for the realignment if local areas (see Attachment C). It is important to note that the Virginia Community College System is open to conforming its current regions to the proposed relevant regional labor markets.

³ The recommended configuration for the 7 relevant labor markets should be revisited after the next census data are released in 2010.

Attachment A: Evolution of MSAs

There is a Precedent to Redefine Regions
...Shared Economies are Expanding



Map Produced by Virginia Economic Development Partnership.

Attachment B: WIA Million Dollar Test

WIA Allocations: \$1 Million Test

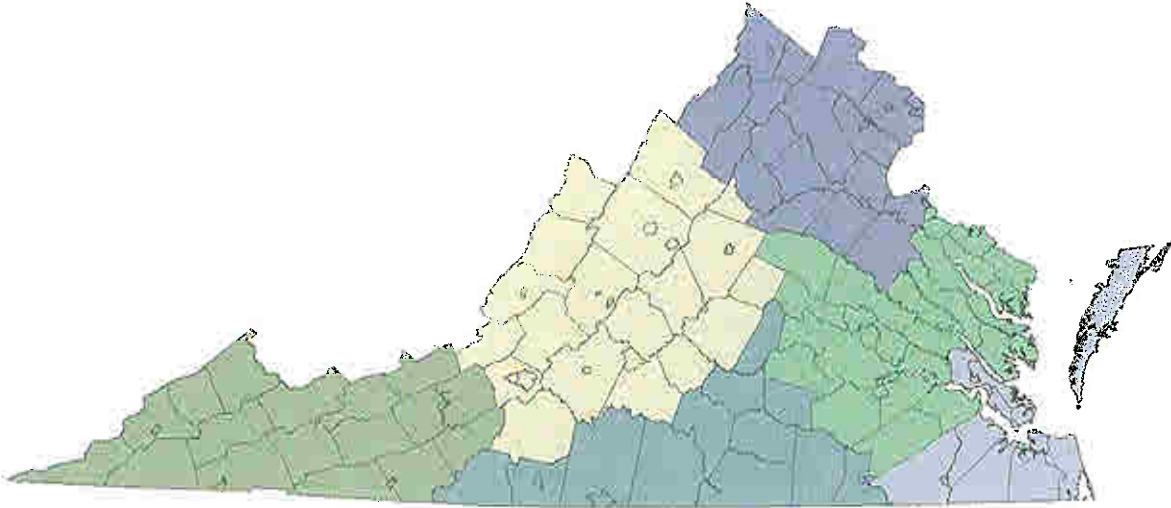
Region	Allocation 2007	Allocation 2012*
1	\$1,826,121	\$1,078,306
2	\$2,082,412	\$1,229,643
3	\$920,884	\$543,773
4	\$896,212	\$529,204
6	\$627,003	\$370,239
7	\$846,761	\$500,004
8	\$1,330,115	\$785,420
9	\$1,056,820	\$624,042
10	\$1,762,025	\$1,040,458
11	\$1,300,971	\$768,210
12	\$479,336	\$283,043
13	\$955,493	\$564,209
14	\$1,833,461	\$1,082,640
15	\$937,273	\$553,450
16	\$4,373,913	\$2,582,752
17	\$2,799,109	\$1,652,846

MSA+ Rural	Allocation 2007	Allocation 2012*
BL/RO	\$2,392,776	\$1,412,910
BR	\$2,646,798	\$1,562,908
CH/LY/HB	\$1,983,650	\$1,171,326
DN	\$3,166,572	\$1,869,829
HR	\$6,431,176	\$3,797,545
NV/WN	\$2,630,547	\$1,553,312
RI	\$4,989,986	\$2,946,537

Com. College	Allocation 2007	Allocation 2012*
1	\$2,637,392	\$1,557,353
2	\$4,003,398	\$2,363,966
3	\$4,206,218	\$2,483,730
4	\$2,845,672	\$1,680,341
5	\$6,378,312	\$3,766,329
6	\$4,170,514	\$2,462,647

Attachment C: VCCS Regions

Six Community College Regions



Map Produced by Virginia Economic Development Partnership.

Appendix: Relevant Regional Labor Markets Geographic Definitions

Rural Adjusted MSA's				
Blacksburg/ Roanoke MSA	Charlottesville/ Lynchburg/ Harrisonburg MSA	Northern Virginia/ Winchester MSA	Richmond MSA	Hampton Roads MSA
Alleghany	Albemarle	Arlington	Amelia	Accomack
Bland	Amherst	Clarke	Brunswick	Gloucester
Botetourt	Appomattox	Culpeper	Caroline	Isle of Wight
Carroll	Augusta	Fairfax	Charles City	James City
Craig	Bath	Fauquier	Charlotte	Mathews
Floyd	Bedford	Frederick	Chesterfield	Northampton
Franklin	Buckingham	King George	Cumberland	Southampton
Giles	Campbell	Loudoun	Dinwiddie	Surry
Grayson	Fluvanna	Madison	Essex	York
Montgomery	Greene	Orange	Goochland	Chesapeake
Pulaski	Highland	Prince William	Greensville	Franklin City
Roanoke	Nelson	Rappahannock	Hanover	Hampton
Wythe	Page	Shenandoah	Henrico	Newport News
Covington	Rockbridge	Spotsylvania	King and Queen	Norfolk
Galax	Rockingham	Stafford	King William	Poquoson
Radford	Bedford City	Warren	Lancaster	Portsmouth
Roanoke City	Buena Vista	Westmoreland	Louisa	Suffolk
Salem	Charlottesville	Alexandria	Lunenburg	Virginia Beach
Bristol MSA	Harrisonburg	Fairfax City	Mecklenburg	Williamsburg
Buchanan	Lexington	Falls Church	Middlesex	
Dickenson	Lynchburg	Fredericksburg	New Kent	
Lee	Staunton	Manassas	Northumberland	
Russell	Waynesboro	Manassas Park	Nottoway	
Scott	Danville MSA	Winchester	Powhatan	
Smyth	Halifax		Prince Edward	
Tazewell	Henry		Prince George	
Washington	Patrick		Richmond	
Wise	Pittsylvania		Sussex	
Bristol	Danville		Colonial Heights	
Norton	Martinsville		Emporia	
			Hopewell	
			Petersburg	
			Richmond City	