

AN EVALUATION

State Employee Training Programs

Department of Employment Relations

99-5

March 1999

1999-2000 Joint Legislative Audit Committee Members

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March 31, 1999

Senator Gary R. George and
Representative Carol Kelso, Co-chairpersons
Joint Legislative Audit Committee
State Capitol
Madison, Wisconsin 53702

Dear Senator George and Representative Kelso:

We have completed an evaluation of the Department of Employment Relations' (DER's) training programs for state employes, as requested by the Joint Legislative Audit Committee. These courses, which include statutorily required training for all new supervisors in the classified service, other training specific to state government, and general employe development training, represent 3 percent of all employe training expenditures reported through the State's accounting system from fiscal year (FY) 1993-94 through FY 1997-98. In FY 1997-98, expenditures for these courses totaled approximately \$272,400 and enrollments totaled 1,943.

DER's training course expenditures are paid through its program revenue training appropriation, which is funded primarily by course fees. From FY 1993-94 through FY 1996-97, revenue from these fees declined steadily, primarily because of a 34.7 percent decline in enrollments that resulted from a large number of cancellations by DER, high course fees, and limited course applicability. DER made efforts to improve its training program in FY 1997-98, when both revenue and enrollments returned to levels comparable to FY 1993-94 levels.

The Legislature can consider a number of options to address DER's role in providing training for state employes. These include maintaining DER's current role, directing DER to place more emphasis on coordinating state-sponsored training, or eliminating DER's training responsibilities and encouraging or mandating state agencies to play a larger role in providing training to their employes.

We appreciate the courtesy and cooperation DER extended to us. DER's response is the appendix.

Respectfully submitted,

Janice Mueller
State Auditor

JM/PS/bh

SUMMARY

The Department of Employment Relations (DER), in cooperation with other state agencies, is responsible for coordinating state-sponsored employe training programs. DER sponsors a variety of training courses for state employes, including courses taught by its staff, staff in the Department of Administration, and private-sector vendors. However, DER-sponsored training accounts for only a small portion of all employe training available to state agencies. In fiscal year (FY) 1997-98, approximately 3 percent of the 63,000 authorized positions in state government received DER-sponsored training. DER-sponsored courses taught by state staff provided training to 1,569 participants, and 14 private-sector vendors provided training to 374 participants. Most state employes receive training through in-house programs sponsored by their agencies.

State- and vendor-taught training courses, as well as one full-time equivalent (FTE) position in DER, are supported primarily by revenue generated from course fees. In FY 1997-98, DER's program revenue-funded expenditures for providing employe training were \$163,435, and its course revenue was \$208,526. Approximately \$109,000 in general purpose revenue (GPR) was also used to support training courses through salaries paid to state employes who provide training as a small part of their position responsibilities.

Section 230.046, Wis. Stats., and related administrative rules require DER to:

- coordinate state employe training efforts;
- authorize state agencies' training programs;
- conduct training programs at the request of a state agency or when cost efficiencies will be realized;
- approve supervisory training that is required by statutes for all new supervisors in the classified service; and
- approve state agencies' training record-keeping systems.

However, DER officials believe that inadequate resources have prevented them from fulfilling most of these responsibilities. Consequently, DER's current efforts focus almost exclusively on sponsoring training courses,

including the supervisory training mandated by statute, which includes instruction regarding the civil service system and general principles of supervision; training specific to state government, such as labor-management relations and merit recruitment and selection; and general employe-development training in communication, motivation, stress management, and other areas.

Generally declining course revenue and a high rate of cancellations have raised concerns about whether DER's administration of employe training and its direct provision of some courses are efficient or effective in ensuring that state employes' training needs are met. The December 1996 report of the Governor's Commission on the Reform of the State Human Resource System, which was established to review the effectiveness of human resource management, recommended that DER increase its coordination of statewide employe training and minimize the extent to which it provides training directly. Many state agency training representatives have offered similar suggestions because they believe agencies can provide similar or better training at a lower cost. However, DER has made few changes in its training efforts, and concerns continue to exist.

As noted, DER funds the training courses it sponsors with program revenue generated from course fees. DER is required to recover the costs of course materials, facility rentals, and private-sector vendor payments, but not the GPR salary costs for state employes who spend a portion of their time teaching some courses. From FY 1993-94 through FY 1997-98, course expenditures fluctuated substantially. Course revenue declined steadily until FY 1997-98, when a 46.8 percent increase from the previous year returned it to FY 1993-94 levels.

Fees from state-taught courses generate the majority of program revenue because of the size of course enrollments and because these fees are not required to cover the costs of GPR-funded instructors. Despite generally higher fees, vendor-taught courses do not recover their costs largely because their fees must cover both payments for private instructors and DER's administrative costs. In FY 1997-98, vendor-taught courses failed to cover approximately \$11,000 of their costs.

The factor most influencing course revenue is enrollments. Total course enrollments declined 34.7 percent, from 2,101 employes in FY 1993-94 to 1,371 employes in FY 1996-97. Training representatives in state agencies indicated that reasons for the decline in enrollments include:

- DER's high rate of course cancellations, especially for vendor-taught courses;
- high course fees; and

- limited course applicability.

Since FY 1993-94, the Legislature has reduced DER's authorized positions from 2.5 FTEs to 1.0 FTE, in part because some of these positions were vacant for over a year. The Legislature also reduced DER's spending authority for all training activities by approximately \$200,000, in part because declining revenue from course fees appeared to make higher spending authority unnecessary.

It is not clear that course revenue will stabilize at FY 1997-98 levels, both because DER has made only minor modifications to its training program and because agencies are able to make training available to their own staffs without directly involving DER. In response to earlier declines in training revenue, DER's FY 1998-99 schedule of vendor-taught courses includes only those courses that were attended in FY 1997-98. DER also reconvened a training council that was established to provide advice about agency needs and to develop program standards. However, more could be done to ensure the training needs of state employees are being met in an efficient and cost-effective manner.

DER has been hesitant to alter or reduce its role in sponsoring training courses because it is concerned about maintaining adequate funding for its training activities and because it believes strongly that some courses are best taught by state instructors who have the necessary expertise. To address DER's role in providing training for state employees, the Legislature could consider maintaining DER's current role, changing DER's role from that of a training provider to that of a service coordinator, or encouraging state agencies to assume larger roles in training their employees.

INTRODUCTION

DER-sponsored courses are taught by state employes and by private-sector vendors.

Section 230.046, Wis. Stats., and related administrative rules require the Department of Employment Relations (DER) to:

- coordinate state employe training efforts;
- authorize state agencies' training programs;
- conduct training programs at the request of a state agency or when cost efficiencies will be realized;
- approve supervisory training that is required by statute for all new supervisors in the classified service; and
- approve state agencies' training record-keeping systems.

To fulfill some of these responsibilities, DER sponsors training courses that are taught by its own staff, staff from the Department of Administration, and private-sector training vendors. In fiscal year (FY) 1997-98, DER provided employe training to 1,943 participants, including 1,569 who received instruction from state employes and 374 who were trained by vendors from the private sector. This amounts to approximately 3 percent of the 63,000 authorized positions in state government.

DER-sponsored courses account for only 3 percent of state agencies' training expenditures.

Because neither DER nor most other state agencies maintain records that account for training expenditures as a separate budget item, and the State has not established a uniform definition of what constitutes employe training, the amount of training provided to state employes each year cannot be determined. However, DER-sponsored training accounted for approximately 3 percent, or \$943,900, of the \$29,356,000 in training expenditures reported through the State's accounting system from FY 1993-94 through FY 1997-98, including in-state travel related to training.

Course fees fund most costs for DER-sponsored training, including the costs of materials, facility rentals, vendor fees, and one full-time equivalent (FTE) position. The salaries of state staff who spend a small portion of their time providing training are supported with general purpose revenue (GPR). Revenue from fees for DER-sponsored courses, which totaled \$208,526 in FY 1997-98, declined from FY 1993-94 through FY 1996-97. Declining revenue from course fees and a high rate of course cancellations have raised concerns about DER's administration

of state employee training programs, including whether sponsoring courses directly is the most efficient and effective way for DER to meet state agencies' employee training needs.

A 1996 report recommended DER minimize its efforts to sponsor training courses.

A December 1996 report of the Governor's Commission on the Reform of the State Human Resource System, which was established to review the effectiveness of human resource management, recommended that DER increase its coordination of statewide employee training and minimize the extent to which it sponsors training directly. Many state agency training representatives have offered similar suggestions because they believe agencies can provide similar or better training themselves at a lower cost. However, DER has made few changes in its training efforts, and concerns continue to be raised. Therefore, at the request of the Joint Legislative Audit Committee, we analyzed:

- the ability of DER-sponsored training courses to be self-supporting;
- reasons for the decline in course enrollments;
- current staffing levels; and
- legislative options to modify how training is provided to state employees.

In conducting our evaluation, we reviewed DER's statutory responsibilities with respect to state employee training, examined available program and financial data for courses taught by state staff and vendors in the private sector, and analyzed how surrounding midwestern states provide employee training. We also reviewed a sample of 510 evaluations for courses sponsored by DER in FY 1997-98. In addition, we interviewed members of the Governor's Commission, private-sector training vendors, and training representatives in 19 state agencies.

Primary Training Activities

Most of DER's current training-related efforts are focused on sponsoring training courses, including:

- basic supervisory development training, which teaches the general principles of supervision and requirements of the State's civil service system, and which in FY 1997-98 was offered on six occasions to 501 participants;

- training that is specific to state government, which consists of labor-management relations, merit recruitment and selection procedures, and 5 other courses that all were offered at least once in FY 1997-98 to a total of 1,068 participants; and
- general employe development training, which in FY 1997-98 included 53 courses held for 374 participants.

DER-sponsored courses are held in Madison and a few other locations, including Appleton, Eau Claire, and Waukesha. As noted, they are taught by state employes and private-sector vendors.

Statutes require DER-approved training for new supervisors in the classified service.

In response to s. 230.046, Wis. Stats., which requires all new supervisors in the classified service to successfully complete a supervisory development program that DER has approved, DER has required most state agencies to enroll new supervisors in its own six-day training program, which addresses labor relations, affirmative action, recruitment and staffing, position-description writing and employe evaluations, leadership skills, and health and safety issues. DER has authorized the Department of Health and Family Services, the Department of Corrections, and the University of Wisconsin-Madison to provide their own supervisory development training programs, but it has not granted such authority to at least two other state agencies that have requested it, out of a belief that doing so would negatively affect its ability to ensure this training is consistent for state employes.

DER staff also provide training that is specific to state government but not required by statutes, including programs in labor-management relations, the State's merit recruitment and selection process, affirmative action, and the State's civil service system. In addition, DER sponsors training on state purchasing guidelines that includes contract administration and the bidding process. The Department of Administration provides staff instructors, course materials, and classroom facilities for these courses, but DER retains all revenue from course fees.

Currently, any agency may secure training from 69 vendors through a purchase order.

Private-sector vendors also provide DER-sponsored training for courses related to general employment skills, including oral and written communication, interpersonal skills development, adapting to different management styles, motivation, and stress management. DER selects both vendors and courses from a training services procurement bulletin that is published by the Department of Administration. All listings in this bulletin, which is revised every three years, have been approved by a committee that consists primarily of training directors from various state agencies. The committee considers both the extent to which a vendor's training proposal will meet the needs of state agencies and its cost. The most recent bulletin, issued in September 1996, includes 69 vendors, each

of whom has entered into a contract with the Department of Administration. These contracts allow DER and other state agencies to submit purchase orders to pay for vendor services, rather than having to contract with vendors for every course. Although larger agencies often have enough resources and employes to purchase vendor services directly, smaller agencies with fewer employes and resources benefit when DER sponsors a course.

Other Activities

Although DER places its primary focus on sponsoring courses for state employes, it also has responsibilities for other services that are part of the same program revenue appropriation but funded by separate sources and administered by other DER staff. For example, DER administers a summer affirmative action internship program that places members of racial and ethnic minority groups, women, and people with disabilities into limited-term positions with state agencies. The program, which began in 1974, had FY 1997-98 training expenditures of \$2,485 for 121 students.

In addition, DER continues to have responsibility for administering the State's Employee Assistance Program, which is intended to provide resource information to employes whose job performance is being affected by personal problems or illness. The program had expenditures of \$27,515 in FY 1995-96, the final year for which funding was provided by the Legislature.

Finally, since 1988, under contract with the Department of Workforce Development, DER has administered the State Employment Options Program, which tries to increase the number of public assistance participants employed by the State. In FY 1997-98, the program spent \$131,978, of which an estimated \$93,836 was federal funds and \$38,142 was state funds. Initially, the program consisted almost exclusively of workshops to assist participants in locating and obtaining state employment. However, in response to declining workshop attendance, DER has since FY 1996-97 increased its emphasis on assisting state agencies in meeting hiring goals. For example, it is consulting with agencies in developing hiring plans for Wisconsin Works participants.

Most concerns focus on DER's primary responsibility of coordinating state employe training.

The majority of concerns about DER's training efforts have focused on its primary responsibilities of coordinating state employe training. Useful training should be cost-effective, applicable to an individual's position responsibilities, and available to employes in all agencies. Therefore, we analyzed the extent to which DER training meets these objectives.

TRAINING COSTS AND REVENUES

A steady decline in revenue from the course fees that support most of DER's training expenditures has raised concerns about DER's ability to provide effective training at the lowest cost to state agencies. Revenue has declined primarily because of declining enrollments. Vendor-taught courses that do not generate sufficient revenue to cover all of their costs have been a contributing factor. In contrast, courses taught by state staff, which typically have lower fees than those taught by vendors, have generated sufficient revenue to cover those costs that are required to be paid with program revenue.

Funding Training Courses

State-taught courses accounted for more than 60 percent of course revenue in the past five years.

As shown in Table 1, DER-sponsored courses taught by state staff accounted for more than 60 percent of total revenue in each of the past five years, and for more than 75 percent in each of the past two years. In contrast, revenue from vendor-taught courses fluctuated significantly during the past five years and accounted for one-quarter or less of total revenue in each of the past two years. Although revenue from course fees exceeded expenditures in FY 1997-98, it has been insufficient to cover the costs of DER-sponsored training in two of the past five years.

Vendor-taught course fees are higher because they must cover additional costs.

As noted, course expenditures that are covered by program revenue include payments to private-sector vendors; they do not include salary costs for instructors who are state employees with other primary responsibilities at DER and the Department of Administration, and whose salaries are funded with GPR. Course fees typically reflect this difference. Fees for vendor-taught courses, which range from \$60 to \$425, are typically higher than state-taught course fees, which range from \$25 to \$295, because fees for vendor-taught courses must cover all costs associated with private-sector instructors, as well as materials and facilities costs.

State-Taught Courses

DER-sponsored courses taught by state employees have consistently generated more revenue than have vendor-taught courses. The primary reason is high enrollments: state-taught courses accounted for 80.8 percent of enrollments in FY 1997-98 and 57.2 percent in FY 1995-96, their low point in the past five years. One reason enrollments in state-taught courses have remained high is because some classes are mandatory for supervisors in the classified service.

Table 1

Revenue and Expenditures for DER-Sponsored Training Courses

	<u>FY 1993-94</u>	<u>FY 1994-95</u>	<u>FY 1995-96</u>	<u>FY 1996-97</u>	<u>FY 1997-98</u>
Revenue*					
State-Taught Courses:					
Supervisory Development	\$ 77,674	\$ 73,631	\$ 41,136	\$ 48,018	\$ 63,559
Advanced Labor Management	44,126	18,190	36,488	29,441	50,672
DOA-Taught	24,915	28,600	15,788	26,317	24,835
Merit Recruitment and Selection	0	0	1,417	8,365	15,431
Other	<u>6,710</u>	<u>5,538</u>	<u>5,818</u>	<u>14,912</u>	<u>2,544</u>
Subtotal State-Taught	153,425	125,959	100,647	127,053	157,041
Vendor-Taught Courses	<u>70,226</u>	<u>76,157</u>	<u>64,159</u>	<u>14,969</u>	<u>51,485</u>
Total Revenue	<u>\$223,651</u>	<u>\$202,116</u>	<u>\$164,806</u>	<u>\$142,022</u>	<u>\$208,526</u>
Expenditures**					
State-Taught Courses	N/A	N/A	N/A	\$123,802	\$ 96,903
Vendor-Taught Courses	N/A	N/A	N/A	<u>24,328</u>	<u>66,532</u>
Total Expenditures	<u>\$211,902</u>	<u>\$161,350</u>	<u>\$213,709</u>	<u>\$148,130</u>	<u>\$163,435</u>
Revenue in Excess of Expenditures	\$ 11,749	\$ 40,766	\$ (48,903)	\$ (6,108)	\$ 45,091

* Estimates based upon enrollment data.

** Does not include GPR-funded instructors and administrative staff who teach and help to administer state-taught courses.

Note: Expenditure data separated by state- and vendor-taught courses are not available prior to FY 1996-97.

State-taught courses also account for the majority of revenue in excess of expenditures that must be covered by program revenue. For example, in FY 1997-98, state-taught courses generated \$157,041 in course fees and incurred \$96,903 in costs, including the costs of scheduling courses, processing registrations, and addressing course cancellations, but not including GPR-funded instructor costs. As a result, state-taught courses generated \$60,138 more than their costs to DER.

In FY 1997-98, an estimated \$109,000 in GPR-funded staff costs supported DER training efforts.

Some have questioned whether all the costs of state-taught training, including GPR-funded costs, should be covered by program revenue. To do so would require higher course fees. We estimate that in FY 1997-98, instructor costs for state-taught courses totaled \$109,000: \$96,000 of that amount represents GPR-funded salary and fringe benefit costs for DER staff, and \$13,000 represents GPR-funded salary and fringe benefit costs for Department of Administration staff.

DER officials indicate that most of the costs for time spent by GPR-funded staff, which averages approximately 7.5 percent of each of 22 FTE positions, would be incurred regardless of whether these staff continued to spend time providing training because the state employees who provide training in DER-sponsored courses are also responsible for such necessary functions as representing the State in contract negotiations with employe unions, conducting occupational personnel management surveys, and developing and implementing recruitment strategies for filling agency positions. In addition, it is likely that other state agencies would object if state-taught course fees were increased by an average of approximately 30.6 percent, which is the amount that would be needed to cover the costs associated with GPR-funded staff.

Vendor-Taught Courses

DER's vendor-taught courses typically do not generate revenue in excess of their costs, despite higher course fees that take instructor costs into account. The principal reason for this is that DER incurs administrative costs for vendor-taught courses regardless of whether they are held. In FY 1997-98, we estimate that DER incurred \$10,500 in administrative overhead associated with vendor-taught courses it cancelled. We estimated overhead costs for vendor-taught courses by prorating total overhead costs based on the number of registrations and cancellations received for vendor-taught and state-taught courses. We also found that not all the revenue generated from course fees is sufficient to cover the costs of the courses that are held. For example, in FY 1997-98, we estimate that 24 of the 53 vendor-taught courses incurred \$4,500 more in costs than they generated through their fees.

In FY 1997-98, vendor-taught course fees did not cover approximately \$11,000 of course costs.

Unlike enrollment in some state-taught training, enrollment in all vendor-taught courses is voluntary. The combination of voluntary enrollment and higher course fees has contributed to lower enrollment rates for vendor-taught courses, which accounted for only 19.2 percent of all enrollments in FY 1997-98, and 42.8 percent in FY 1995-96, their high point in the past five years. In FY 1997-98, vendor-taught courses generated approximately \$11,000 less than their costs to administer, when \$4,000 in revenue that was received in FY 1998-99 for costs incurred in FY 1997-98 is included.

Revenue Trends

Enrollments have the greatest effect on revenue.

The factor most influencing course revenue is enrollments. As shown in Table 2, total course enrollment declined 34.7 percent from FY 1993-94 through FY 1996-97. Although enrollments began to approach the FY 1993-94 level in FY 1997-98, they are not expected to increase further because state-employe instructors who have other job responsibilities cannot devote additional time to offering more courses, and higher enrollments in their courses accounted for most of the increase. Furthermore, the merit recruitment and selection courses—which provide instruction in developing employment examination questions, scoring examinations, and creating employment registers—were new and very popular in FY 1996-97 and FY 1997-98, but they will likely experience stable or slightly decreasing enrollments as state employes no longer need that training.

Table 2

Training Course Enrollments

<u>Training Courses</u>	<u>FY 1993-94</u>	<u>FY 1994-95</u>	<u>FY 1995-96</u>	<u>FY 1996-97</u>	<u>FY 1997-98</u>
State-taught	1,440	940	778	1,246	1,569
Vendor-taught	<u>660</u>	<u>700</u>	<u>581</u>	<u>125*</u>	<u>374</u>
Total	2,100	1,640	1,359	1,371	1,943

* A delay by the Department of Administration in issuing the training services procurement bulletin reduced the number of vendor-taught courses held in FY 1996-97.

Note: Enrollments are estimated for years prior to FY 1995-96 because DER enrollment data are incomplete.

DER officials believe a lack of staff makes it difficult to improve training efforts.

DER maintains that inadequate staffing prevents it from making substantive changes to its training programs that would increase or stabilize enrollments and thereby address declining revenues. Since FY 1993-94, the Legislature has reduced DER's authorized positions from 2.5 FTEs to 1.0 FTEs, in part because some of these positions were vacant for over a year. The Legislature also reduced DER's spending authority for all training activities by approximately \$200,000, in part because declining revenue from course fees appeared to make higher spending authority unnecessary.

In its 1997-99 biennial budget request, DER requested that 0.5 FTE, and a corresponding \$22,000, be switched from program revenue funding to GPR to help stabilize its revenue base. Because this request was not included in the 1997-99 biennial budget, DER requested that position authority for 0.5 FTE be restored during later budget adjustment deliberations. This request was denied. DER officials assert that they have been unable to fill necessary positions and improve their coordination efforts, which are non-revenue generating activities, because program revenue generated by course fees has been unpredictable.

Low levels of enrollment not only make it difficult for DER to cover program costs, they also raise questions about the effectiveness of DER's training programs. If concerns about limited course availability, higher fees than would be required through direct contracting, and limited course applicability are to be addressed and the satisfaction of agency training representatives is to be improved, DER will need to take additional steps to assess training needs and ensure that it provides only the training that is both in demand and cost-effective.

Satisfaction with Training Provided

Course cancellations, course costs, and limited applicability of some courses may hamper training effectiveness.

Agency training coordinators with whom we spoke reported that the content of training provided by courses offered through DER is generally appropriate, especially for state-taught courses. However, these individuals expressed concern that course cancellations, course costs, and the limited applicability of some training to job duties hamper the effectiveness of training that is sponsored by DER.

To provide training to their employees, state agencies use a variety of resources in addition to DER courses, including:

- universities and technical colleges;
- professional seminars and conferences;
- private-sector vendors; and
- instructors and staff from within their own agencies.

DER's approach to state-taught training has not been at issue because, among the resources that agencies use to provide training, DER is generally viewed as the most appropriate provider of training in:

- personnel administration, such as labor-management relations; and
- areas unique to state employment, such as civil service policies and procedures.

Training in state policies and procedures may best be provided by DER staff.

In addition, several private vendors with whom we spoke agreed that training in state policies and procedures may best be provided by the state employees who establish and oversee them. However, training representatives in other state agencies also believe that more general areas of training, such as training to improve oral and written communication skills, can be more effectively provided by private-sector vendors or by staff within the agencies who can more readily tailor it to meet specific agency needs and deliver it at a lower cost.

DER has not analyzed course evaluations.

DER has done little to assess satisfaction or the perceived quality of the training it provides. Although written course evaluations are completed by participants at the end of each training course, DER staff do not analyze this information. In reviewing a sample of 510 evaluations for state-taught and vendor-taught courses provided in FY 1997-98, we found that participants gave high ratings to DER training. As shown in Table 3, on a 5.0-scale, participants rated instructor knowledge at 4.7, and overall quality at 4.4.

Table 3

Course Evaluation Responses
FY 1997-98

<u>Course Type</u>	<u>Number of Responses</u>	<u>Average Instructor Knowledge Rating*</u>	<u>Overall Course Quality Rating*</u>
State-Taught	424	4.7	4.4
Vendor-Taught	<u>86</u>	4.7	4.5
Total	510	4.7	4.4

* Represents average score on a 5.0-point scale.

However, the opinions participants expressed in the course evaluation forms we reviewed are inconsistent with many of the comments made to us by agency training representatives, who reported being dissatisfied with the cost, length, comprehensiveness, and overall quality of DER-sponsored courses. Therefore, it may be beneficial for DER to obtain additional feedback directly from agency training representatives in the future. In addition, agencies have suggested that DER follow up with employees—possibly six months after training—to determine if the training actually assisted them in completing job-related responsibilities.

Although DER officials agree that training efforts should be better assessed, they contend that limited funding and staff resources prevent them from doing so.

Cancellation Rates

**DER cancelled
64.5 percent of vendor-
taught courses from
FY 1993-94 through
FY 1997-98.**

A major complaint among both agency training representatives and private-sector vendors is DER’s course cancellation rate, especially for vendor-taught courses. From FY 1993-94 through FY 1997-98, the cancellation rate for state-taught courses has averaged 14.7 percent. However, as shown in Table 4, DER cancelled vendor-taught courses at an average rate of 64.5 percent during this same period. Agency training representatives indicate that these cancellation rates make DER’s course offerings too unreliable to be considered a meaningful component of their training programs, and make private vendors hesitant to work with DER.

Table 4

Cancellation Rates for Vendor-Taught Courses

<u>Fiscal Year</u>	<u>Courses Scheduled</u>	<u>Courses Held</u>	<u>Courses Cancelled</u>	<u>Cancellation Rate</u>
1993-94	100	52	48	48.0%
1994-95	111	52	59	53.2
1995-96	96	48	48	50.0
1996-97	99	15	84	84.8
1997-98*	<u>214</u>	<u>53</u>	<u>161</u>	75.2
Total	620	220	400	64.5%

* In FY 1997-98, DER significantly increased its number of courses scheduled in an attempt to assess interest in vendor-taught courses and accomplish a number of other goals.

Note: Courses held and cancelled are estimated for years prior to FY 1995-96 because DER data are incomplete.

DER has no formal policy regarding how many participants are necessary to hold a course. However, staff generally schedule courses with the expectation of enrolling at least 10 participants and no more than 20 to

30, depending on the location and course topic. DER's cancellation policy is to notify agencies no less than five working days before the scheduled course date if the course will be cancelled.

Efforts to increase enrollments by increasing course offerings had limited success.

Because of a scheduling problem in FY 1996-97, DER employed a different strategy when scheduling courses the following year. In FY 1996-97, the vendor training procurement bulletin published by the Department of Administration was released later than planned. As a result, DER was unable to schedule vendor-taught courses from July through December. In an effort to assess agency interest in its vendor-taught courses, increase enrollments, generate additional revenue, and compensate for courses not offered in the previous six months, DER approximately doubled the number of vendor-taught courses scheduled in FY 1997-98 over the number scheduled in any of the prior four years. However, the number of courses actually held did not increase substantially, suggesting that agencies may have limited interest in DER's vendor-taught courses.

Course Fees

Agency training representatives have also expressed concern that DER's fees for vendor-taught courses are too high. In FY 1997-98, 88.7 percent of the fees for vendor-taught courses were more than \$100, while 51.9 percent of state-taught course fees were more than \$100. Many agency training representatives indicated they could obtain lower course prices by negotiating prices directly with vendors. For example:

- the Department of Revenue's per person costs for offering three courses directly were significantly lower than they would have been if they had obtained training through DER: a course in stress reduction cost \$110, or 65 percent, less per person; a course in improving concentration cost \$114, or 57 percent, less per person; and a course in improving written communication cost \$22, or 36 percent, less per person; and
- the Department of Natural Resources' per person cost for a course in career development was \$99, or 52 percent less than for the same course offered through DER.

It should be noted, however, that savings are likely to be somewhat lower if agencies incur administrative overhead costs in arranging for training. Such costs may not be included in these comparisons. Furthermore, the larger state agencies generally have adequate resources and a sufficient

number of employees to make it cost-effective for them to contract directly with private vendors or to develop training courses using their own staff. Training purchased directly from private vendors by the 12 largest state agencies accounted for 95.3 percent of all such training purchased between FY 1993-94 and FY 1997-98.

DER's method of setting vendor-taught course fees is not based on an analysis of cost.

The higher fees for DER's vendor-taught courses have raised concerns, in part because DER's policy for including its administrative overhead costs in course fees has not been applied consistently in recent years. The amount of the additional charge to cover overhead, which was fixed at \$250 per course through FY 1997-98, was never analyzed for reasonableness based upon training prices that agencies could obtain elsewhere or for its relationship to the actual administrative costs DER incurred. When DER changed this fee to \$20 per participant beginning in FY 1998-99, it had conducted no additional analysis to determine the fee's appropriateness. DER officials indicate that the competing goals of keeping fees reasonable and covering costs make it difficult to base fees on a cost analysis.

Before FY 1998-99, DER attempted to renegotiate vendor course fees when enrollments were lower than expected. In recent years, we found that DER often renegotiated course fees with vendors in order to retain 20 to 30 percent of total revenue when fewer participants enrolled than were needed to cover vendor fees. DER officials indicate they have occasionally also ensured revenue will be sufficient to cover vendor fees by adding an additional charge to the course fee in expectation of a low enrollment. For FY 1998-99, DER has eliminated inconsistency by clearly establishing the policy that vendors will receive 80 percent of course revenue when enrollment is less than necessary to cover the vendor fee.

Comparisons of fees for vendor-taught courses provided through DER and by arrangements between vendors and other agencies do not provide information on whether course quality and content are comparable. Some believe that DER is in a stronger position to ensure course quality because it is the State's central training administrator. Others believe that course quality is actually improved when agencies work directly with vendors, because agencies can negotiate to have vendor-taught courses tailored to meet their specific needs.

Improving Department Training Efforts

Agencies want DER to provide less vendor-taught training and to focus more on coordination.

DER has not conducted a statewide assessment of specific agency training needs. However, in preparing a report to address statewide training needs, DER did discuss the training activities state agencies would like to see it pursue. Many agency suggestions focused on DER reducing its role in sponsoring vendor-taught training courses and expanding its efforts to coordinate training statewide. However, because

DER officials remain concerned about generating sufficient revenue to support their training activities, they have been hesitant to reduce DER's role in providing training directly.

Other Training Responsibilities

DER has responsibilities apart from providing training courses.

As noted, statutes require DER to coordinate statewide training efforts, ensure that agencies track employe training, and approve training provided to new supervisory staff. DER coordinates only its own training efforts. It does not ensure that agencies track employe training. Finally, since 1993, it has not conducted evaluations of the approved supervisory development training courses to determine whether they meet statutory requirements, primarily because of a lack of existing resources and concern about assessing fees to pay for additional services.

State agencies believe DER should work to coordinate training information and resources, rather than focus so heavily on providing training. For example, agency training representatives have suggested DER:

- maintain an Internet site that contains more information than the existing site, including current information about training opportunities and resources such as training courses offered by other agencies or universities;
- publish a comprehensive state training newsletter that includes information about training innovations and methods and that is made available to agency training representatives through regular and frequent mailings; and
- provide guidance to agencies, especially smaller agencies, in the area of employe training by acting as a consultant for training development.

Some state agency training representatives have also expressed interest in having DER promote and support a training council to provide agencies with a forum for the coordination of state training efforts. The training council envisioned by agencies would consist of agency training representatives and would work with DER to share suggestions for best practices in employe training, to reduce duplication of training efforts, and to ensure standards of training quality are met. To assist in addressing some of these concerns, three agencies—the departments of Health and Family Services, Commerce, and Transportation—have agreed to provide funding for a one-year project position, which is funded through October 1999. Part of this position's responsibilities are to report on

agency training needs and ways to make DER's training programs more effective. Although the report has been completed, DER officials have not determined whether all of the report's recommendations will be adopted.

DER has recently expanded the information it provides to state agencies.

However, some suggestions for improvement in DER's training efforts made in the report have already begun to be implemented. For example, after being inactive for approximately one year, the training council was reconvened by the Department in January 1999. Currently, its role is undefined because DER and agency training representatives are still discussing goals and responsibilities. The report also identified the need to expand DER's current responsibilities in order to address the unmet training needs of state employes. DER has recently begun to explore some of the services suggested by agencies. It currently publishes two newsletters that it sends via electronic mail to state agencies, which include information on upcoming training courses and agency training contacts. DER has also added a state training Internet site to its general agency site, with similar information.

DER officials remain concerned, however, about generating sufficient revenue to support training efforts. Therefore, in addition to these services, the report suggests a number of other services that DER could provide, including:

- a leadership institute, provided in cooperation with UW-Madison, to serve as an internationally recognized entity for the study and development of leadership;
- a mentoring program that would help new state managers succeed in their jobs by matching them with experienced state managers;
- a management consultant program coordinated with private-sector vendors, which would be used to provide timely answers to management questions; and
- management seminars provided by DER to address training issues and innovations.

The report proposes generating revenue through these activities either by charging fees directly for the services provided or by negotiating with other training providers to receive a portion of the fees they generate from these services. At this time, specific information about which services would be provided or how the services would be provided has not been determined. Therefore, the extent to which agencies would support DER's provision of these services is not known.

Providing More Effective Training Programs

DER officials contend that state-taught courses are necessary for two reasons:

- they generate needed program revenue; and
- they address certain topics best addressed by state employees who have the necessary expertise.

Most costs for DER's training functions, in addition to the salary for one FTE position directly associated with administering training courses, are paid with revenue generated by course fees. Without this revenue, DER's training program could not continue as currently structured.

Vendor-taught course revenue is not necessary to support DER's current training activities.

As with state-taught courses, DER officials believe that revenue generated by vendor-taught courses is also necessary to support training programs. However, even though total FY 1997-98 revenue would have been reduced by \$51,485 had all vendor-taught courses been eliminated, sufficient revenue would have remained from state-taught courses to cover other costs. This is because, as noted, vendor-taught courses do not typically generate sufficient revenue to cover their costs and must, therefore, be subsidized by revenue from state-taught courses that are supported by some GPR-funded staff. DER officials maintain, however, that the elimination of vendor-taught courses would deprive them of a potential source of revenue that may allow them to perform the coordination activities and other tasks they believe they should be performing but currently are not.

There is also general agreement among agency training representatives and private vendors with whom we spoke that DER should eliminate, or significantly reduce, its provision of vendor-taught courses, primarily because agencies can obtain a better price by contracting directly and because the courses can be made more relevant by having agencies work directly with the vendor to tailor courses to best meet their training needs.

As noted, cost-effectiveness concerns have gone largely unaddressed because DER focuses on those activities that directly generate program revenue. As a result, DER has not conducted analyses that could improve its current training efforts, such as:

- analyzing enrollment data to determine which courses are most effective in meeting state employee training needs;

- developing a system to establish competitive prices for courses offered, to address concerns that state agencies can negotiate lower course fees than are paid to DER for comparable training; and
- tracking turnover rates of supervisory employees, to ensure that basic supervisory development courses are offered frequently enough so that all supervisors receive training in a timely manner.

LEGISLATIVE OPTIONS

The Legislature has a number of options for addressing DER's role in providing employee training. In general, three approaches could be considered:

- maintaining DER's current training activities for state employees;
- directing DER to place more emphasis on coordinating state-sponsored training activities; or
- eliminating most of DER's training responsibilities and encouraging or mandating state agencies to play larger roles in identifying training needs and administering employee training.

The Legislature could consider substantial changes to state employee training.

Maintaining DER's training efforts would ensure that training continues to be provided to state employees for certain courses. However, some believe that making substantial changes to current practices may improve the quality, accessibility, and cost-effectiveness of training the State provides to its employees.

Maintaining DER's Training Efforts

Maintaining DER's current role in providing training may have advantages:

- First, state agencies know that DER is a provider of certain training courses, such as basic supervisory training, and understand the procedures needed to identify, select, and enroll their employees in these courses.
- Second, as a centralized source of training, DER provides a uniform and consistent training course content that may be important in ensuring that state employees who transfer from one agency to another have a basic set of skills.

- Third, although agency training representatives with whom we spoke generally believe that DER training and coordination efforts could be improved substantially, there was also general consensus that the training it has provided directly was basically adequate.

The Governor's budget would increase DER's spending authority by \$57,000 in FY 1999-2000 and \$68,900 in FY 2000-2001.

Assembly Bill 133 and Senate Bill 45, the Governor's FY 1999-2001 biennial budget proposal, recommends increasing DER's spending authority by \$57,000 in the first year of the biennium, and by \$68,900 in the second. According to the Governor's budget materials, the added funds are to be placed in unallotted reserve, with release contingent upon demonstrating to the Department of Administration that demand for both training courses and revenues is sufficient to support the higher budget level provided.

If the Legislature believes that maintaining DER's current efforts is the most appropriate strategy, it could consider a number of alternatives when acting on the executive budget:

- approving the Governor's proposed increases to DER's program revenue spending authority;
- modifying the Governor's proposal to increase DER's spending authority, and directing DER to charge more for state-taught courses in an effort to generate the revenue needed to meet its other statutory responsibilities; or
- maintaining current spending authority.

The Legislature may wish to make additional funding contingent on approval of the Joint Finance Committee.

If the Legislature chooses to increase DER's current spending authority, it may wish to consider making release of these additional funds contingent upon approval of the Joint Finance Committee rather than the Department of Administration, as the Governor proposes. This would provide a means for the Legislature to have an ongoing role in monitoring and influencing DER's training efforts.

Enhancing DER's Coordination Activities

As noted, DER-sponsored training accounted for only 3 percent of all employe training expenditures reported through the State's accounting system from FY 1993-94 through FY 1997-98. Because DER plays only a small role in most agencies' training activities, its activities could be changed to emphasize coordination of the training that agencies provide. Coordination activities could include:

- assisting agencies in selecting vendors, either by establishing an inventory of all relevant vendors and courses or by negotiating a single contract for specific types of training services for all state agencies, in an effort to lower training costs by guaranteeing vendors a minimum number of courses or participants;
- serving as a clearinghouse of training availability by monitoring the training scheduled by state agencies—including both in-house training and training provided under contracts with private vendors—to allow other state agencies (especially smaller agencies) to take advantage of these training opportunities; and
- developing strategies for evaluating vendor-taught courses, to ensure that their content is of high quality.

Additional resources would likely be needed if the Legislature wished to support an expanded role for DER.

If the Legislature wishes DER to assume a stronger coordinating role, then additional resources would likely be needed to pay for added costs. The Legislature could consider either appropriating GPR or directing that DER's coordinating activities be supported by program revenue assessments charged to all agencies, in a method similar to that used to support the Department of Administration's financial and auditing services.

In reviewing the practices of other midwestern states, we found no consistent pattern in how state employe training was administered, although all states reported that some training is provided centrally and other training is provided by individual state agencies. Representatives of each of five states with which we spoke—Illinois, Iowa, Michigan, Minnesota, and Ohio—have larger and more centralized training offices than Wisconsin does. Most of these states use a combination of state-employe instructors and private vendors to teach courses similar to those offered in Wisconsin. However, Minnesota does not use private vendors, believing instead that state government training is unique and cannot be provided adequately by private vendors.

We were able to obtain budgetary information about four states' training offices. Ohio's is funded entirely by GPR, Michigan's and Minnesota's are funded by a combination of GPR and program revenue, and Illinois' is funded entirely by program revenue. The size of training office budgets also differs: Michigan's annual budget is \$2.0 million, Illinois' and Ohio's are both \$1.5 million, and Minnesota's is \$400,000. This compares to a FY 1997-98 budget for Wisconsin of approximately \$163,000, which does not include approximately \$109,000 in GPR-funded staff support that is not reflected in DER's training budget.

Eliminating DER's Training Responsibilities

Agency responsibilities could be expanded if DER were to discontinue providing training.

Alternatively, the Legislature could transfer most state employee training responsibilities from DER to state agencies. Under this alternative, each state agency would be responsible for developing and scheduling courses to meet its needs. Should DER's role in providing and overseeing training be eliminated, individual state agencies' responsibilities could be expanded to include contracting directly with vendors to provide statutorily required training for new supervisors in the classified service or providing appropriate training with their own staff resources, in addition to continuing to offer or contract for the other training they currently provide.

The Legislature would also need to consider whether to eliminate DER's statutory responsibilities to coordinate and approve state-sponsored training, which it currently does only for the training it sponsors. If training activities were decentralized to state agencies, DER's expenditures could be reduced by approximately \$163,000 annually, which includes the elimination of the one full-time position that is currently funded with program revenue.

If training were decentralized, DER's role would need to be reconsidered.

To decentralize training activities, consideration would need to be given to what role, if any, DER would have in sharing its expertise in areas such as labor relations and the civil service system. Although disagreement exists over exactly which courses are best taught by state instructors, most agency training representatives and private vendors with whom we spoke did agree that DER satisfies a number of specific training functions that others would have difficulty providing as effectively. In addition, because DER staff who currently provide training in labor relations and the civil service system are state employees who fulfill other functions, it may also be less costly to allow DER to continue to provide this type of specialized training while allowing agencies to contract for or provide supervisory training directly.

Finally, if the provision of training is decentralized, special attention would need to be given to how the smaller state agencies would be affected. Although larger agencies commonly identify and contract with private vendors for a number of training services, smaller agencies may lack the number of staff or resources needed to make contracting for these services practical. Consequently, smaller agencies typically rely on DER's courses to a greater degree than do larger agencies, and they may be adversely affected if DER's responsibility for offering such courses is eliminated. For example, in FY 1997-98, 18.5 percent of staff in smaller agencies (those with fewer than 100 employees) attended DER-sponsored training, while only 2.2 percent of staff in larger agencies (those with more than 1,500 employees) attended DER training.

One option for addressing the needs of smaller agencies should DER's training functions be reduced or eliminated is for these agencies to form a consortium for training purposes that would combine their resources and expertise. This type of approach was taken in the early 1990's with the employe assistance program: smaller agencies joined together to provide services that many of the larger agencies were able to supply independently. However, funding would be needed to support the efforts of such a consortium. If the Legislature did not appropriate additional funds, smaller agencies would have to attempt to support these functions by reallocating their existing resources.

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DEPARTMENT OF EMPLOYMENT RELATIONS

March 25, 1999

Janice Mueller, State Auditor
Legislative Audit Bureau
131 West Wilson Street
Madison WI 53703

Dear Ms. Mueller:

Thank you for the opportunity to review and respond to the audit of the Department of Employment Relations (DER) training activities.

This report will be a valuable resource not just for DER, but also for the Governor, the State Legislature, state agencies and other policy makers. We believe there should be an ongoing dialogue about training that extends far beyond the limited scope of the Legislative Audit Bureau (LAB) report. It should examine the purpose and value of training and the responsibilities of all those committed to the role of training in achieving the functions of state government. It should include state managers, private sector trainers, educational experts and individual employees.

DER believes that the value and importance of training cannot be overstated. In recent years, the state has invested heavily in Information Technology planning and development to support the functions of state agencies. We should do no less in regard to our human resources, the state's most valuable resource. Just as DOA oversees Information Technology on an enterprise-wide basis, there must be an entity with overall responsibility for state-level training. It makes sense for DER, the oversight agency for state human resources, to carry out that task.

Training must be seen as a primary management tool, particularly as state government moves toward performance-based budgeting. A small investment in training can pay off in terms of increased efficiency, productivity and mission success.

We were pleased that the LAB reported that many observers believe there is a definite role for DER in state training, whether that is in providing direct training or in coordinating certain training activities. We are also pleased that the LAB noted that DER would likely need additional resources if we are to continue to play a role in coordinating training. We believe the ability to raise sufficient revenues and the flexibility to spend those funds is critical to performing the training functions expected of us. We look forward to working with the Governor and the State Legislature in establishing the optimum level of our spending authority toward this end.

We concur in many of the findings made in the report regarding certain past practices and financial instability in the training function. The LAB has detailed the many operational

improvements that the DER training office has already made. The Bureau found that course enrollments and the program's financial picture improved in 1997-98. We project continued improvement in 1998-99. Our first order of business is to continue our efforts to provide services which comprise the basic mission of our training office and to do so in a fiscally sound manner. Our mission is to offer high quality training that provides supervisors and managers with the fundamental and advanced tools they need to effectively carry out their responsibilities.

The Human Resource Reform Commission

The most recent DER efforts to improve statewide training date back to the creation of the Governor's Commission on the Reform of the Human Resources System. The Department worked with the Reform Commission to review state training activities, as well as other aspects of the state personnel system. In December, 1996, the Commission released recommendations designed to meet the training needs of state employees and to do so in a more cost-efficient manner. Its recommendations included the following:

1. Centralized coordination of statewide employee training
2. Creation of a state training council
3. Identification of core skills needed by supervisors, managers and executives
4. Development by DER and the Training Council of training programs to address these core skills, with DER coordinating but not directly providing the training
5. Development by DER of an advanced management/supervisor training program on the latest trends in human resources
6. Creation of an employee orientation program for newly hired state employees
7. Creation by the State Training Council of a program of leadership training on such topics as conflict resolution, consensus problem solving and team building
8. Consultation and technical assistance from DER to small agencies in areas such as needs assessment, referrals to other agencies and evaluation
9. Development by all agencies of comprehensive training plans in concert with their Strategic Business Plans.

Strategic Planning Report

In 1998, the Department received funding commitments from three other agencies to fund a one-year project position to serve as a consultant, who would conduct strategic planning and other development projects for the DER training office. This individual examined previous reports and studies, interviewed a wide range of people familiar with state training, reviewed training files and analyzed the operations and structure of the training office. His report to DER, entitled "A Strategic Investment in the State's Human Technology," presented a vision of how state training could be developed to serve the objectives of the state as a whole and its various departments and units.

Of the many findings in the consultant's report, I want to highlight just a few:

- ✓ Training is at the core of making work effective in the modern organization.
- ✓ The state needs to become a learning organization to meet the current and future missions of Wisconsin.
- ✓ Training must be integrated with work, must be innovative and must be measured.
- ✓ The State needs to develop its managers and DER must manage other state-level training to meet other special and niche needs identified by agency training directors.

While the vision outlined in the report is sweeping, we believe these fundamental ideas noted above should guide us in charting a path for statewide training activities.

Enhancements Made to Training Program

DER has adopted many operational improvements designed to address prior weaknesses in activities and to establish DER as a credible training provider. We have:

- ✓ Implemented more selective scheduling of vendor-taught classes to avoid course cancellations
- ✓ Identified enhancements to the content of the Basic Supervisory Development curriculum and offered the course monthly to meet the demand on a timely basis
- ✓ Begun a process to ensure that agencies have tracking systems as required by statute
- ✓ Facilitated creation of the State Training Council, which is exploring ways of contributing to statewide training goals
- ✓ Increased marketing of courses through e-mail and joint efforts with vendor instructors
- ✓ Improved our Internet Web site, including links to other training providers (such as the Wisconsin Technical College System and the UW-Madison Certified Public Manager Program)
- ✓ Begun publishing a management newsletter (“DER News and Views”) about general human resources issues mailed to all managers and supervisors.
- ✓ Distributed electronic newsletters on training opportunities and other developments to training directors and to all state employees.
- ✓ Initiated a needs assessment process

DER feels obligated to stress that many of these initiatives were possible only because we were given a project position to coordinate these changes, and three other agencies – on a one-time basis – entered into a partnership with DER to provide the funding for the position. From August 1995 until early 1998, the training office was typically staffed with only 1.0 FTE. As the Audit Bureau pointed out, those years were some of the least productive. Effective July 1997, the biennial budget removed even the option of employing any additional staff by eliminating 1.25 vacant positions. The improvements that have been made possible demonstrate what can be done if DER is authorized to generate and utilize the resources needed to perform training activities.

Improvements Have Paid Off

DER training functions are operationally sound and financially stable. As the Audit Bureau noted, enrollments and financial stability improved in 1997-98. So far in 1998-99, the cancellation rate for vendor-taught courses is less than in the previous two years and enrollments in these courses are on a trend similar to the previous year. Year-to-date revenues exceed expenditures by \$28,000 (after excluding expenses and revenues attributable to the one-time project position). We have elevated our customer service and, with the construction of a new training facility at our new building location, we believe we have established our agency as a valuable and credible source of instruction and training services.

What Should be the DER Role in State Training?

We believe the proper role for DER can be summarized as two-fold:

- ✓ To provide instruction in those areas which are within the statutory mission of DER; i.e. human resource management

- ✓ To coordinate state training activities by performing those functions that only a centralized entity can do effectively

We recognize that our role is *not* to provide or even sponsor the bulk of training needed by state agencies. On their own, individual departments can select training more quickly and inexpensively and have it customized to their needs. As the LAB noted, DER provides about three percent of all training, but this is a very important three percent. It includes the human resource courses that DER must provide as part of its mission, and it includes vendor-taught courses that meets the needs of many smaller agencies.

DER Must Provide Courses in Human Resource Management

DER staff are the best source for training and guidance in such areas as:

- ✓ Basic Supervisory Development, including critical knowledge and skills that supervisors need to succeed: recruitment and staffing, labor relations, performance evaluations, position description writing, affirmative action and sexual harassment, among others
- ✓ Advanced Labor Management, which is a very successful and well-respected DER course. All five class series for 1999 are already full
- ✓ How to plan a recruitment and go through the selection process
- ✓ Compensation administration and classification surveys to meet the growing need to keep employees updated and knowledgeable in the new broadband pay systems

DER must oversee this training, not in order to raise revenue, but because it is our obligation – as the personnel oversight agency – to guarantee that the laws, rules and policies are followed and that personnel transactions are conducted effectively and efficiently.

Furthermore, there is a preventative benefit of this training, since it helps supervisors and managers avoid mistakes that can be costly and time-consuming in terms of grievances and litigation.

DER should also explore providing advanced training in human resource areas for supervisors and managers, as well as developing a new employee orientation course and identifying core skills needed by state employees.

DER Should “Coordinate” Some State Training Support Activities

We believe DER should take more of a coordinating role in state training activities – and recognize that this can take several forms. The Reform Commission found that many agencies and employees are not aware of training opportunities, that smaller agencies may have less access to training resources, and that some training courses may be duplicated across agencies or underutilized because there is no central source of information. Listed below are some tasks that have been suggested as appropriate coordinating activities for DER by the LAB, state agencies, the consultant’s report or the Reform Commission, or that are required by current law:

- ✓ Conduct a statewide assessment of specific agency training needs
- ✓ Develop courses in the areas of core skills, advanced management and supervision, employee orientation and leadership training
- ✓ Participate in contract selection with DOA
- ✓ Conduct more in-depth evaluations of courses and analysis of enrollment data
- ✓ Develop an inventory of training programs and methods to consolidate training programs

- ✓ Act as a clearinghouse for training information and opportunities provided by other agencies and providers
- ✓ Engage in the marketing of courses
- ✓ Perform outreach through our Internet site and newsletters
- ✓ Ensure that agencies track employee training
- ✓ Develop tools by which the value of courses can be measured
- ✓ Provide consultation and technical assistance to smaller agencies
- ✓ Review delegation of Basic Supervisory Development and requests for delegation
- ✓ Promote and support the State Training Council

DER and state policy makers must decide which of these coordinating functions DER should perform – and how to finance them, since most of them will not be revenue-generating.

Selected Vendor-taught Courses are Needed to Meet State Agency Needs and to Provide Financial Foundation for DER Training Office

Vendor-taught courses are clearly a secondary focus for DER, but they do play a vital supporting role to the two primary missions outlined above. They satisfy some of the training needs of small agencies, as the LAB noted, as well as meeting the needs of various employees in larger agencies who may choose to attend a particular course sponsored by DER. The vendor courses also generate revenue so that we can engage in other undertakings that don't generate revenue, such as the coordinating functions listed above.

In this context, the concerns raised by the LAB about fee-setting and net return in revenue can be put in another perspective. It may be true that vendor courses – when administrative overhead is included – do not generate revenues to cover their costs, although they do cover all direct out-of-pocket expenses. However, it may be impractical to offer vendor courses at fees that would fully cover overhead *and* still be competitively priced. Fees are set based not just on cost, but on the need to offer affordable courses to the small segment of the market that chooses to attend these courses – as well as to generate foundation revenue for DER.

However, we agree that too many courses were offered in the past and that the high cancellation rate negatively affected the training program. We have already significantly reduced the number of courses offered through private vendors and will continue to be more selective in this area.

The Challenges Ahead

DER must evaluate the findings of the LAB, the Reform Commission, the consultant's report, and agency and employee needs to chart a future course for statewide training within the limitations of resources available to DER and state agencies.

DER cannot do this alone: we must foster a viable and vibrant State Training Council which will provide input to DER, but will also serve as a forum for inter-agency collaboration and sharing.

The Need for Adequate Resources for State Training Function

To meet the challenges ahead, the DER training function needs sufficient resources in order to fulfill the specialized roles of human resource instruction and coordination of statewide training. We must have the capability to respond to changing needs in the training area.

Revenue needs: We take issue with the LAB statement that vendor courses are not necessary to cover current DER training activities. That is only true if the single expectation of DER is to

schedule classes and register students. Very few of the other coordinating activities would be possible – or as beneficial – with revenues from only DER-taught courses, which likely would support just 1.0 FTE. If there are other alternatives for raising revenue, we will pursue them, such as advanced supervisory or managerial training. However, realization of this kind of training requires the time of program staff and other resources to develop these courses to a point where they can generate sufficient revenues.

We need to recognize that the kind of coordinating activities discussed in the report and other forums do not typically generate revenue, but do impose costs in terms of staff and other administrative expenditures.

We believe GPR foundation support would be justified as is found in larger agencies and other states, but recognize that it is unlikely to be provided. We would support consideration of alternative funding mechanisms (e.g., some form of administrative assessments) that would further the discussion of the proper role of DER and how to finance it.

Furthermore, we do not agree with the alternative mentioned by the LAB to “charge more for state-taught courses.” The Department tries to keep its prices at affordable levels for our customer agencies, particularly when the courses are mandated by law.

Increased spending flexibility needed: DER currently has the flexibility to generate revenue through the courses it offers, but it needs the authority to spend this revenue for staff, brokering services from other providers and the initiatives discussed in this response.

Given the value contributed by the project position, we believe an additional permanent program revenue position would give us the opportunity to utilize revenues to employ additional staff. As proven in the last 12 months, additional staffing can help improve the quality of DER training activities, plus help generate revenue to support the position and its coordinating activities. This would contribute immensely to achieving the training goals set out for DER.

In closing, we appreciate the inclusion of our agency’s response with the audit report. The Department appreciates the courtesy and professionalism shown by the Legislative Audit Bureau staff during the audit.

Sincerely,

Peter D. Fox
Secretary