

SOUTHEAST TENNESSEE LOCAL WORKFORCE DEVELOPMENT BOARD

DRAFT Minutes of the Executive Committee

June 4, 2025 | 11:00 a.m. ET

Executive Committee members in attendance included Marshall Graves, Chair, Carri Smith, and John Proffitt. SETD and board staff included Michele Holt, Allison Schiavo, and Reece Stevens. Jennifer Thacker also attended as a guest.

Chairman Marshall Graves welcomed the members and called the meeting to order.

Approval of the Minutes

Chairman Graves called for a motion to approve the minutes of the March 12, 2025, meeting. On a motion from Carri Smith and a second from John Proffitt, the minutes were unanimously approved.

Administrative Reports

Financial Reports

Chairman Graves called on Reece Stevens to give the April 2025 Financial Report. Reece reported the budgeted revenues, in the amount of \$7,086,154, and actual expenses for the year at \$5,027,224, or 71% of the budget. This is slightly below the expected expense rate of 83%, and is due to the expenses for the NDWG program being under budget for a large portion of the year due to staff turnover. Several training programs are currently underway and should help bring expenses in line over the next few months.

Over budget line items and variance explanations were reported as follows:

- Telephone and fax – Unexpected expenses that were outside of the normal budgeted expenses.
- Travel – Mandated data validation travel, and new staff training conferences have contributed to increased travel. Only two scholarships were received for the recent training so this expense will remain above budget.
- EDSI Participant Funding – the TYEP program requires more expenditures at the beginning of the program year, and additional funding will be provided beginning in the May Financial Report that will bring this in line.

The year-to-date MPCR metric is trending at 56% for Q4 with one month reported. The YTD rate is currently trending at 48% currently which meets the state-mandated requirement of 40%.

Reece continued with the Financial Status Report which provides a detailed financial overview of current active contracts. The first section includes FY24 contracts carried over to the current fiscal year. These contracts have an end date of June 30, 2025, and all contracts except the PY24 dislocated worker administrative contracts are fully expended. The work experience rate for the PY24 Youth contract closed out at 20%, fulfilling the 20% minimum work experience requirement. Continuing, the FY25 contracts are on track to be at the required 80% minimum by the contract term, with all adult formula program contracts being fully expended. The remaining funds are the FY25 dislocated and PY25 youth formula funding. The dislocated worker contract will require a transfer to adult sometime before the June 30, 2025 closeouts and the youth contract is 72% of budget expended, but with additional work experience anticipated in May and June, these funds should be fully expended at the required minimum of 80%. He continued to other grants and stated RESEA will remain under budget since TDLWD retracted those grants. The FY24 TYEP budget is on track to be fully expended by the end of June. The ARC and NDWG grants are below the budgeted amount due to staff turnover and a limited initial scope and eligible target population. New staff have been identified and will continue to increase spending throughout the remainder of the program year and a modification adjustment provided an opportunity to increase enrollments and expand the target population. We did receive approval to extend the ARC grant until September 30, 2026, which will align with the NDWG anticipated closeout date. The state and federal apprenticeship grants are on track to closeout by the end of June. The initial startup grant for the rural healthcare grant is on track to be fully expended by the end of June, with the new contract for participant expenditures beginning next program year. The contracts covering the infrastructure expenses are all on track to close out as budgeted.

After some discussion, Chairman Graves called for a motion to approve the Financial Report as presented. On a motion from Carri Smith and a second from John Proffitt, the April 2025 Financial Report was unanimously approved.

Chairman Graves asked Reece Stevens to present Budget Amendment III. Mr. Stevens stated that the proposed amendment reflects an increase of \$166,192 to the current budget, corresponding to additional TYEP funding allocated for the period of May 15, 2025, through June 30, 2025. The amendment includes increases to Salaries and Wages, Pass-thru Funds, Telephone and Fax, and Travel with Printing and Publications decreasing by \$3,000.

Following the presentation, Chairman Graves called for a motion to approve Budget Amendment III. A motion was made by John Proffitt and seconded by Carri Smith. The motion was unanimously approved.

Chairman Graves called on Reece Stevens to present the PY2026 IFA Budget. Reece noted that total billable infrastructure and One-Stop Operator expenses are projected at \$304,777, a significant decrease from the prior year's total of \$1,006,236. The reduction of \$701,459 is primarily attributable to the relocation of the two comprehensive centers to the campuses of Chattanooga State and TCAT Athens, as well as a decrease in OSO-related costs.

After some discussion, Chairman Graves called for a motion to approve the PY2026 IFA Budget. A motion was made by Carri Smith and seconded by John Proffitt. The motion was unanimously approved.

Chairman Graves called on Reece Stevens to present the Fiscal Year 2026 Workforce Board Budget. Reece reported that the proposed FY2026 budget totals \$5,237,086, representing a decrease of \$1,849,069 compared to FY2025.

He explained that the Salaries and Wages and Employee Benefits and Payroll Taxes line items increased from \$860,000 to \$1,909,816 due to the Board's transition to serving as both the Career Service Provider and the One-Stop Operator. As a result, all AJC staff will now be employed directly by the Board, and related costs have been consolidated into these line items from the former CSP Staffing category.

Reece further noted an increase in the Supplies line item to \$75,000. He highlighted that the most significant cost savings—approximately \$645,000—were realized through reductions in Contract Services, Occupancy Expenses, and Equipment Rental and Maintenance, primarily due to AJC office relocations, closures, and structural changes.

Despite some reductions, Total Operating Expenses increased by \$596,406, bringing the new total to \$2,457,816. Conversely, the Total Provider Services budget decreased by \$2,445,475, as personnel costs previously categorized under Provider Services are now reflected in Operating Expenses due to the restructured staffing model for the AJCs.

Following the presentation, Chairman Graves called for a motion to approve the FY2026 Workforce Board Budget. A motion was made by Carri Smith and seconded by John Proffitt. The motion was unanimously approved. At the conclusion of the vote, Chairman Graves and the other Committee members expressed their appreciation to the board staff for their diligent efforts in redesigning the infrastructure model, which resulted in significant budget efficiencies. They noted that these efforts were especially timely given the substantial reduction in Title I Formula funding.

Administrative Updates

Chairman Graves invited Michele to provide administrative updates for the local area. Michele reported that the Tennessee Department of Labor and Workforce Development (TNLDWD) approved the South Tennessee Local Workforce Development Board's (STLWDB) proposal to serve as its own Career Service Provider and One-Stop Operator, effective July 1, 2025. The approval was granted on April 29, 2025.

Michele then asked Allison to provide an update on the hiring process for key American Job Center (AJC) positions, including the Program Manager, Youth Career Advisor, and One-Stop Operator roles. Allison reported that several offers had already been extended and accepted, and noted that the hiring timeline is currently ahead of schedule. She also

informed the board that Kevin Treadway, Business Services Representative, recently resigned from his position, and an offer has since been extended to fill that vacancy.

Board member John expressed optimism that the transition to the new service delivery model would result in improved operational performance and efficiency. Michele added that the revised structure is expected to streamline decision-making processes and enhance the agility of delivery service across the local area.

Michele Holt presented the response received from the Tennessee Department of Labor and Workforce Development (TDLWD) on May 29, 2025, regarding the proposed AJC closures and the implementation of a hybrid service delivery model. She noted that the hybrid model—intended to improve access to services in underserved and rural areas—received conditional approval from the state. However, the approval included two proposed options that do not align with the Board’s strategic direction for modernizing the workforce system.

After some discussion, the Executive Committee recommended delaying further action and formally requesting additional guidance from TDLWD on transitioning to a service delivery model that balances innovation and efficiency while maintaining compliance with federal and state requirements. The Committee expressed concern that the proposed options may limit flexibility and hinder the region’s ability to meet the evolving needs of job seekers and employers.

Next, Michele Holt provided an update on a recent communication from Commissioner Thomas that provided an overview of the recent federal discussions around WIOA reauthorization. In the announcement included the packets, she shared President’s FY 2026 budget request, which includes a proposed 33% cut to the U.S. Department of Labor’s budget and a 34% cut to the Employment and Training Administration. The Administration proposes consolidating 11 current workforce programs into a single “Make America Skilled Again” (MASA) grant, significantly reducing overall funding and eliminating key programs such as Wagner-Peyser and WIOA Adult, Youth, and Dislocated Worker. Funding for RESEA would slightly increase, while Job Corps and SCSEP are proposed for elimination. The Bureau of Labor Statistics would be moved to the Department of Commerce. The Department is working to adapt and ensure Tennessee’s workforce system remains strong, and we will update as we know more.

After some discussion, the Committee recommended exploring the formation of an Ad Hoc Committee to address the proposed changes to the public workforce system. The purpose of this committee would be to convene a small group of leaders to evaluate opportunities for innovation, while also ensuring staff remain informed and prepared to navigate ongoing uncertainty and volatility within the system.

Michele Holt asked the Committee if it would be feasible to consider a short contract extension with EDSI, Inc. to ensure continuity of service during the onboarding and training of new staff. This would help us maintain service coverage within the American Job Centers (AJCs) during onboarding staff training. Pending budget after May closeouts, John Proffitt made a motion to bring forward a motion. Carris Smith seconded and the motion was unanimously approved.

Other Business

Chairman Graves called for any other business, and hearing none, the board meeting was adjourned by unanimous consent after a motion by Carri Smith and a second by John Proffitt.

Respectfully submitted,

Marshall Graves
Board Chair