

*CONTRACT NO. AF-12531-02-30*  
*TASK ORDER #2*

**UNIT COSTS OF INTENSIVE AND TRAINING  
SERVICES FOR WIA ADULTS AND DISLOCATED  
WORKERS: AN EXPLORATORY STUDY OF  
METHDOLOGIES AND ESTIMATES IN SELECTED  
STATES AND LOCALITIES: FINAL REPORT**

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*Prepared for:*

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**TABLE OF CONTENTS**

**EXECUTIVE SUMMARY .....ES-1**

**CHAPTER 1: INTRODUCTION.....1**

    A. Study Background and Context .....1

    B. Study Scope, Purpose, and Methodology.....7

    C. Organization of the Report.....9

**CHAPTER 2: CASE STUDY OF UNIT COST ESTIMATES IN MICHIGAN .....1**

    A. Background and Overview of the Michigan WIA ADW Program.....10

    B. Recording and Reporting Service-Level Cost Data in Michigan.....12

    C. Recording and Reporting Service-Level Participant Data in Michigan.....16

    D. Estimates of Unit Costs for ADW Intensive and Training Services.....17

    E. Conclusions/Key Findings/Limitations of Methodology Employed.....19

**CHAPTER 3: CASE STUDY OF UNIT COST ESTIMATES IN FLORIDA.....23**

    A. Background and Overview of the Florida WIA ADW Program .....23

    B. Recording and Reporting Service-Level Cost Data in Florida .....27

    C. Recording and Reporting Service-Level Participant Data in Florida .....32

    D. Estimates of Unit Costs for ADW Intensive and Training Services.....35

    E. Conclusions/Key Findings/Limitations of Methodology Employed.....39

**CHAPTER 4: CASE STUDY OF UNIT COST ESTIMATES IN ARKANSAS .....41**

    A. Background and Overview of the Arkansas WIA ADW Program .....41

    B. Recording and Reporting Service-Level Cost Data in Arkansas .....43

    C. Recording and Reporting Service-Level Participant Data in Arkansas .....48

    D. Estimates of Unit Costs for ADW Intensive and Training Services.....50

    E. Conclusions/Key Findings/Limitations of Methodology Employed.....50

**TABLE OF CONTENTS (CONTINUED)**

**CHAPTER 5: CASE STUDY OF UNIT COST ESTIMATES IN PITTSBURGH AND RAMSEY COUNTY .....53**

- A. Background and Overview of the Local Case Studies.....53
- B. Recording and Reporting Service-Level Cost Data in Pittsburgh and Ramsey County.....57
- C. Recording and Reporting Service-Level Participant Data in Pittsburgh and Ramsey County.....61
- D. Estimates of Unit Costs for ADW Intensive and Training Services.....61
- E. Conclusions/Key Findings/Limitations of Methodology Employed.....61

**CHAPTER 6: FINDINGS, CONCLUSIONS, AND RECOMMENDATIONS .....64**

- A. Background and Overview.....64
- B. Description and Analysis of Unit Costs .....64
- C. Differences in Cost Category Methodologies .....69
- D. Differences in Cost Allocation Methodologies.....70
- E. Assessing State Systems for Capturing Cost and Participant Information.....72
- E. Conclusions and Recommendations.....73

# EXECUTIVE SUMMARY

## *Study Background and Scope*

This study – funded by the U.S. Department of Labor, Employment and Training Administration (DOL/ETA) – explores methodologies to determine unit (per participant) costs of Adult and Dislocated Worker (ADW) intensive and training services provided by local workforce agencies and their One-Stop Career Centers under Title IB of the Workforce Investment Act (WIA). Unit costs are defined as costs incurred during a program year divided by the number of participants who received services during that year. ETA does not currently require states or localities under the WIA program to collect or report per participant costs by major service category (i.e., by core, intensive, and training services). The study had two main purposes.

- The first was to determine if any states were already engaged in collecting service-level cost and participant data from their local workforce boards, and if so, to describe the methodology they used; assess its strengths and weaknesses; and provide preliminary intensive and training unit cost estimates for these states.
- The second was to examine the challenges and issues facing ETA if it wishes to implement a valid and reliable methodology for estimating unit costs for core, intensive, and training services.

Through discussions with ETA national and regional staff, review of WIA Annual Reports, and consultations with public interest groups and academic researchers, we identified three states – Arkansas, Florida, and Michigan – that collect and compile WIA intensive and training services costs from their local workforce areas. The primary line of data collection and analysis was to develop and interpret unit cost estimates through site visits to – and case studies of – these three states and two local workforce areas in each state. A secondary line of data collection and analysis involved applying the methodology from one of these states (Arkansas) to produce unit cost estimates for two localities – Pittsburgh, Pennsylvania and Ramsey County, Minnesota – in states that do not require collection and reporting of service-level cost information.

## *Principal Study Findings*

The unit cost estimates for Michigan, Florida, and Arkansas varied substantially for both the Adult and Dislocated Worker programs, reflecting both real differences in unit costs, but also differences in cost categorization and allocation methodologies across states and local workforce areas (see Exhibit 1). For example, as shown in the exhibit,

**EXHIBIT 1:**

**UNIT COST ESTIMATES FOR ARKANSAS, FLORIDA, AND  
MICHIGAN, WIA ADULT AND DISLOCATED WORKER PROGRAMS  
(PY 2002/2003)**

State/Workforce Investment Area	WIA Adult Program			WIA Dislocated Worker Program		
	Core	Intensive	Training	Core	Intensive	Training
<b>Michigan (PY 2003)</b>						
Capital Area	\$670	\$689	\$1,676	\$237	\$724	\$1,545
Kalamazoo-St. Joseph	\$89	\$1,343	\$832	\$108	\$1,430	\$899
*State Total	\$636	\$718	\$2,565	\$863	\$849	\$2,040
<b>Florida (PY 2003)</b>						
Region 8	\$343	\$193	\$663	\$492	\$391	\$1,710
Region 9	\$513	\$163	\$2,048	\$1,555	\$262	\$4,540
*State Total	\$328	\$383	\$1,350	\$675	\$854	\$1,629
<b>Arkansas (PY 2002)</b>						
Hot Springs	\$1,585	\$455	\$1,538	\$1,311	\$306	\$1,806
Little Rock	\$989	\$1,507	\$296	\$1,343	\$1,463	\$381
*State Total	\$461	\$627	\$1,514	\$554	\$622	\$1,060

Note: Expenditure and participation data to estimate unit costs were provided by the Michigan Department of Career Development, the Florida Agency for Workforce Innovation, the Arkansas Employment Security Department, and the Arkansas Workforce Investment Board. In Arkansas, program cost excludes \$20,075 in program expenditures by the administrative entity in Hot Springs and \$226,955 for the state as a whole. In all three states, many recipients of core services are not counted because they are not registered as WIA participants. Registration occurs relatively late in the service process and includes relatively few core-only participants. Hence, unit costs of core services estimated only from WIA cost and participant information lack usefulness for program and policy purposes.

estimates of unit costs for WIA Adult intensive services ranged across the six local sites from about \$150 to \$1,500. For Adult training services, unit costs ranged from about \$300 to over \$2,000, with the highest unit costs in Florida's Region 9 (Gainesville), the site that had the lowest intensive unit costs.<sup>1</sup> The pattern for the WIA Dislocated Worker program was similar. The range of unit costs for intensive services was from about \$300 to \$1,500. The lowest unit cost sites for intensive services were in Florida and Hot Springs – states and sites that place heavy emphasis on training and rely on intensive services primarily as a pathway to training rather than as a stand-alone alternative. For Dislocated Worker training services, the range was from less than \$400 to \$4,500.

Because states and local workforce areas define their intensive and training cost categories differently, and local areas use different allocation methods to assign expenditures to cost categories, cross-state and cross-site interpretation of estimates are problematic. For example, whether training costs were defined broadly (Florida and Capital Area in Michigan) or narrowly (Arkansas and Kalamazoo in Michigan) was strongly associated with differences in unit costs. Kalamazoo used a narrow definition that includes only direct expenditures on Individual Training Accounts (ITAs) and on-the-job training, similar to Arkansas, while Capital Area (Lansing) used a broader definition that includes some staff expenditures on case management and other services closely associated with training.

Local agencies also use different methodologies to allocate shared (or joint) costs (e.g., on staff salaries/fringes) to core, intensive, and training services. All three states allow local workforce areas flexibility in initially pooling shared costs, and then subsequently allocating them to the core, intensive, or training category. The basis for these allocations differ, most commonly using either relative measures of labor costs (e.g., salaries/fringes or numbers of full-time equivalent staff) or relative numbers of participants receiving core, intensive, and training services. Beyond differences in cost category definitions, use of different bases for cost allocation of shared or joint costs adds complexity to the interpretation of cost and unit cost data.

Overall, this study documents the considerable challenges of developing valid and reliable unit cost estimation when national-level foundational elements for record keeping and reporting of costs and participants by service level are lacking. Without clear direction on definitions and methodology emanating from ETA, states and local workforce areas are unlikely to attempt to estimate unit costs by service category – and if they do, it would not be possible to make valid comparisons across states and localities because of widely varying definitions and methodologies employed. Among the three service level categories, the study highlighted the particular difficulties in producing valid estimates of unit costs for core services.

Unit costs of core services measured only with WIA cost and participant data are especially unreliable because many core-only recipients of these services are not

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<sup>1</sup> Florida WIBs spent 60 percent of Adult costs on training services, the highest percentage by far of the three states; this is not surprising because Florida statute requires that at least 50 percent of Adult and Dislocated Worker WIA funds combined be spent on training.

officially counted as WIA participants, and many core customers receive services paid for from other fund sources, such as Wagner-Peyser. WIA unit costs will be misleading and unreliable if there is cost sharing and co-enrollment across programs (such is often the case with core services) and these costs are not captured from the other programs.

Finally, it is important to note that the local workforce areas in Florida and Michigan reported that while collecting the information required for estimating unit costs required some extra effort, none of the local areas found the burden to be extraordinary. Thus, if ETA elects to mandate collection of unit cost data, the additional resources required will not be prohibitively expensive.

### ***Recommendations***

- **Recommendation #1: If ETA Mandates Service-Level Cost Reporting, It First Needs to Define Cost Categories.** Because ETA did not define clear service-level cost categories as part of WIA regulations, perhaps our study's most important finding is that we observed varying definitions of training services across states and localities that strongly affected costs and unit costs. For example, in the two Michigan localities we visited, unit costs for training differed substantially according to whether case management and related staff costs while a participant was in training were allocated to training or intensive services. Hence, if ETA requires states and localities to report service-level ADW costs, it is essential that ETA clearly define cost categories and carefully consider the implications of those cost category decisions for the resulting cost estimates. To illustrate, if ETA decides it wants to use a broad measure of training services, it should consider mandating a cost category that includes staff support to training participants, not simply direct training costs (e.g., ITAs).
- **Recommendation #2: If Service-Level Cost Reporting is Mandated, Also Require that States and Localities Use Uniform Cost Allocation Procedures.** We also recommend that as part of a mandated WIA financial record keeping and reporting system that ETA require states -- and that states in turn require local WIBs - - to allocate shared costs primarily on the basis of relative labor expenditures. Consistent cost data must be generated from the ground up starting at the local WIB level because that is where cost allocation is performed and recorded. Because labor costs are such a large component of overall expenditures, it is important to have a system by which labor hours/costs are reliably and consistently accounted for by major service category and used as the primary basis for allocation of shared costs. We believe that labor time measures typically better reflect intensity of resource use and are preferable if the goal is to obtain comparable unit cost estimates. Such labor hour disaggregation may be done through completion of weekly/monthly time sheets or by periodic time studies. ETA should consider developing and testing a prototype system based on labor-time measures that could be distributed to local WIBs to be used to allocate costs by major service level.

- Recommendation #3: To Provide Accurate and Consistent Cost and Unit Cost Estimates, Local WIBs Also Need Systems to Account for Sub-grantee Expenditures.** Because many WIBs subcontract to other agencies and organizations for the provision of WIA ADW services and such subcontracts represent a large fraction of WIA ADW costs, it is not enough for local WIBs to have systems in place to capture and allocate costs from their own activities. Similar systems will also be needed for sub-grantees to disaggregate expenditures in a consistent and valid manner.
- Recommendation #4: If States and Localities Are Required to Record and Report Costs by Service Level, ETA Will Need to Provide Substantial Technical Assistance and Training. To Ensure Consistent Collection and Reporting, ETA Will Need to Implement Ongoing Monitoring and Quality Control.** The capabilities, capacities, and understanding of cost data collection and reporting varied substantially across the states and localities visited during this study. ETA can expect that the range of capabilities and receptiveness to cost allocation and reporting across the 600-plus WIBs will range widely. Even those WIBs already collecting data needed to generate unit cost estimates by service level may be using methods that are not in line (or as uniform) as those that ETA may propose to obtain consistent data. These methods are especially important if local areas are to be compared using unit costs as a measure of efficiency. We recommend that even for those states and localities that are already generating service-level unit cost estimates, ETA devote resources to develop in-depth documentation of appropriate methodologies for states/localities to record and generate costs and unit costs. Next, ETA may need to provide training and ongoing technical assistance to state and local WIA program officials that will be involved in collecting and reporting these data. Finally, if consistent data are to be collected and reported across states and localities, ETA will need to monitor the methodologies employed by states and local WIBs through site visits, collection and review of quality control samples, and other monitoring/enforcement activities.
- Recommendation #5: ETA Needs a Participant-Based Information System to Collect Accurate and Consistent Participant Counts by Major Service Category.** There may be a tendency to focus on the challenges of disaggregating costs by major service level, but if *unit* costs are to be accurate, it is essential that participant counts by service category also be accurate. The current system maintained by ETA to collect participant data – the WIASRD – is an “exit-based” rather than a “participant-based” system. Hence, as currently structured, the WIASRD provides counts of exiters by major service category, but does not provide similar counts by service level for participants. To obtain the valid service-level participant information needed to estimate unit costs, ETA would need a participant-based reporting system for service-level information rather than the current WIASRD exit-based system.<sup>2</sup>

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<sup>2</sup> The ETA Management Information and Longitudinal Evaluation (EMILE) reporting system, as proposed by ETA in July 2004, would require that all states record and report such service-level

- **Recommendation # 6: ETA Should Ensure that States and Localities Register One-Stop Customers as WIA Participants More Consistently.** States and localities appear to exercise much flexibility under existing WIA regulations in terms of when and whether an individual served through the One-Stop system becomes a WIA participant. For example, most local WIBs that we visited (Hot Springs, Little Rock, Kalamazoo, Pittsburgh, Ramsey County) do not register individuals as receiving WIA core services until the point at which they begin to receive WIA intensive services. Delaying registration, other things equal, overestimates unit costs of core services by undercounting core-only participants. If unit cost estimates by major service category are to be consistent across states and local WIBs, there is a need for clear and consistent rules to govern when individuals become WIA participants and are considered to have received core, intensive, and training services. Ensuring such consistency would take on added importance if WIA were reauthorized by consolidation with ES, thus creating a program where the costs of core services were more fully captured.

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participant data to ETA on a routine basis. ETA provides additional details and specification about EMILE at the following website -- [www.doleta.gov/Performance/EMILE/EMILE.cfm](http://www.doleta.gov/Performance/EMILE/EMILE.cfm).

**CHAPTER 1:**  
**INTRODUCTION**

***A. Study Background and Context***

This study – funded by the U.S. Department of Labor, Employment and Training Administration (DOL/ETA) – is aimed principally at exploring methodologies to determine unit (per participant) costs of Adult and Dislocated Worker (ADW) *intensive* and *training* services provided by local workforce agencies and their One-Stop Career Centers under Title IB of the Workforce Investment Act (WIA). For purposes of this study – as is conventional in program budgeting – unit costs are defined as costs incurred during a program (fiscal) year divided by the number of participants who received services during that year. *Training services* mentioned in the WIA statute and regulations include occupational skills training, on-the-job training, skills upgrading and retraining, job readiness training, on-the-job training (OJT), and customized training. *Intensive services* include comprehensive assessments, development of individual employment plans, basic skills training, short-term pre-vocational services, work experience, case management for participants seeking training, and supportive services.

While ETA limited the scope of this study to intensive and training services, this study also addressed some of the problems associated with collecting cost, participation, and unit cost data for a third category of services commonly provided under WIA – core services. *Core services* – available to all adults who seek services from the One-Stop centers sponsored by WIA – include initial assessments, basic job search assistance and provision of labor-market information, and access to information about job openings.

Unlike the two other levels of service, many core services are not paid for by WIA Title IB funds. For example, in most of the local areas covered in this study, they are partially funded by other sources such as Wagner-Peyser (Employment Service), as well as non-ETA funding sources, including Temporary Assistance for Needy Families (TANF). Core services are the least separable from other services provided by WIA One-Stop Career Centers, and their financing often requires the allocation of shared costs. In addition, in many local areas including most of those visited in this study, clients who receive only core services are not formally registered and counted as WIA participants. Hence, unit costs of core services estimated only from WIA cost and participant information lack usefulness for program and policy purposes.

ETA acknowledged at the outset of this study that it does not currently have regulations and procedures for state and local financial record keeping, definitions of service-level cost categories, methods of cost allocation across service levels, and participant reporting of service-level receipt for ADW services that would enable determination of training and intensive service unit costs from national-level information. While ETA requires states to submit total administration and program cost data each quarter,<sup>3</sup> it does not require states to collect or submit program cost data broken down by service category (i.e., for core, intensive, and training services). It requires states to report total numbers of participants who receive ADW services, but it does not require states to report number of participants by service level.<sup>4</sup>

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<sup>3</sup> WIA ADW programs have only two cost categories. The administrative cost category is limited to 10 percent. The program cost category constitutes the remaining 90 percent. However, as we shall see later, certain administrative functions can be charged to program costs.

<sup>4</sup> ETA does require that service-level information be reported for program exiters.

ETA's strongest impetus in asking for this study is that it directly responds to the Administration's President's Management Agenda (PMA) – overseen by the Office of Management and the Budget (OMB) – that calls for agencies to integrate program performance and budget and provide full cost data for program services and associated outcomes. As a description of the PMA notes, “Over time, agencies will be expected to identify high quality outcome measures, accurately monitor the performance of programs, and begin integrating this presentation with associated cost.”<sup>5</sup> This study represents an initial attempt to do that, relying on fieldwork in selected states and localities to estimate the unit costs of intensive and training ADW services, primarily by drawing on service-level cost and participation information obtained from a few states that have established systems to collect such information from their localities.

More broadly, valid and reliable service-level cost and unit cost data might be of significant help to ETA in promoting cost-effective service delivery under WIA and generally improving and supporting program/policy-making decisions. Unit costs – combined with program outcome and (ideally) impact estimates – are needed to conduct cost-benefit analyses. Such analyses would help ETA, states, and local workforce agencies to make more informed policy and programmatic decisions to enhance the delivery and mix of WIA ADW services. Valid per-unit costs by service level would also help identify possible outliers in terms of state and local performance and help over time to improve system performance and better target WIA resources and services to produce desired outcomes for program participants.

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<sup>5</sup> Office of Management and Budget, “The President's Management Agenda, Fiscal Year 2002,” p. 29.

Greenberg and Appenzeller, in *Cost Analysis Step by Step*, identified potential uses of cost analyses in helping to monitor and evaluate employment and training (E&T) programs:

*...The first type of use is to monitor an ongoing program, including both program activities that are performed in-house by the agency sponsoring the E&T program and those that have been contracted out. Do the costs of each program component appear reasonable? Are cost expectations being met? Was the pre-implementation cost analysis correct? If not, why not? Answering these questions is part of a learning process. The answers are also essential in determining whether the conditions in performance-based contracts that contain cost criteria are being met. In addition, cost analyses can be used to make various adjustments. For example, if the program is much more expensive than initially anticipated, it might be necessary to scale back the services provided or accept fewer participants. If it is less expensive, somewhat richer services might be provided or eligibility criteria might be relaxed. Cost analyses can also be used to conduct evaluations of ongoing programs — that is, techniques used to assess whether existing programs are working and whether they can be improved.<sup>6</sup>*

Despite the many potential uses of cost and unit cost data, obtaining such data from states and local program operators is both difficult and costly. Key foundational elements of determining service-level unit costs for a workforce development program (or indeed unit costs for any cost category) are:

- Clear, consistent definitions and measurements of which program activities fall into which level of service, i.e., cost categories.
- Clear, consistent rules for how to allocate program costs to these cost categories.
- Clear definitions of how to record program participation at each level of service. The participation measure is the denominator in the unit cost equation.

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<sup>6</sup> David Greenberg and Ute Appenzeller, *Cost Analysis Step by Step: A How-to Guide for Planners and Providers of Welfare-to-Work and Other Employment and Training Programs*, Manpower Demonstration Research Corporation (MDRC), October 1998. This step-by-step guide provides much helpful background information on how to conduct cost analyses. It is available at via the Internet at the following website: <http://www.mdrc.org/publications/125/full.pdf>.

In practice, the degree to which these foundational elements are in place for WIA programs leaves much to be desired. As discussed earlier, for WIA ADW services, they are largely absent with respect to determining costs, number of participants, and therefore, unit costs by service level because states and local areas are not required to keep records and report costs and participants by these categories. Some of the complexities in working with states and localities to estimate unit costs by service category include the following:<sup>7</sup>

- **In estimating unit costs, accurate participation data by major category of service is needed.** The major participant data collection system for WIA – referred to as the Workforce Investment Act Standardized Record Data (WIASRD) – reports data on exiters rather than participants. Exiters are not the same as participants served for a given period (i.e., a program year) since some participants in one program year exit in the subsequent year and are not captured in the earlier year. Hence, if unit costs are to be estimated in the most straightforward way, it is necessary for states/localities to have data systems that provide valid participant data (in addition to the exiter data currently available through the WIASRD).
- **Both methodologically and practically, the dividing lines between core, intensive, and training services are not defined or interpreted the same across states and local jurisdictions, making it very hard to interpret cost and unit cost estimates by major service category.** There may be incentives for states or localities to define service categories differently – for example, as discussed later in this report, Florida (one of the case study states) requires that each of its local workforce agencies spend at least 50 percent of their ADW funds on training. For local WIBs in Florida, there are strong incentives to classify program activities as “training” expenditures that might in other states be classified as “intensive” services. In addition, if a WIA participant is enrolled in training, he or she may still get services that are like intensive services (e.g., case management services). It is not entirely clear how expenditures on such services are or should be classified as WIA participants move from core to intensive and on to training.
- **There are wide variations across states and localities in terms of how WIA and non-WIA funds are shared in delivering core services.** In some states and localities, for example, core services are mostly provided with Wagner-Peyser funds, but in others, most or all are paid for with WIA funds.

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<sup>7</sup> These challenges will be explained and illustrated more specifically in our case studies.

Customers can receive services from more than one funding source, either concurrently or sequentially. For example, participation by older youth and adults may overlap under the WIA program; WIA adults may qualify for and participate in services funded under Wagner-Peyser at the same time; some dislocated workers may be co-enrolled in WIA and TAA; and, finally, some dislocated workers may be co-enrolled and served with WIA Adult funds. Hence, shared costs and co-enrollment can greatly complicate the practical steps involved in disaggregating expenditures across programs and services at the local level, particularly within a One-Stop service delivery system that is geared toward tailoring services to meet individual service needs. These factors are most problematic in interpreting costs and unit costs for WIA core services.

Since the inception of WIA in 1998, study of service-level WIA costs and unit costs has been very limited, in substantial part because WIA specifies for reporting purposes only an aggregate program cost category. Mathematica Policy Research completed one exploratory study for ETA of disaggregated WIA unit costs in 2002.<sup>8</sup> The Mathematica study designed and pre-tested a data collection instrument that was mailed to nine states to collect WIA ADW service-level participant and cost data from their local workforce boards. The pretest concluded that that a full-blown survey was infeasible because “insufficient information was available in local areas to provide meaningful results at the national level. Moreover, the limited available information was difficult to analyze because no standard definitions or tracking approaches exist across local WIBs.” It thus confirmed that the foundational elements for determining valid unit costs by service level were largely absent for WIA ADW services.

In terms of developing the data collection design for this study, Mathematica’s work suggested that few (if any) states and localities would have cost and/or participant information systems that would permit compiling useful per-unit cost information by

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<sup>8</sup> Mathematica Policy Research, Inc., “Challenges in Collecting Information on Costs and Services,” Memorandum to James Aaron from William Borden, October 31, 2002.

major service category. To understand and use the data that are available, it was crucial to visit states and local workforce investment areas. These visits provided the opportunity to assess the relative strengths and limitations of service-level cost and participant data – and the extent to which such data could be used to generate valid unit cost estimates by major service type.

***B. Study Scope, Purpose, and Methodology***

This study was designed as an exploratory study to build on Mathematica’s earlier work and inform subsequent efforts that ETA might undertake on a more widespread basis to develop and implement disaggregated cost and participant reporting for WIA ADW services that could support valid unit cost estimates. The study had two main purposes: (1) determine if any states were already engaged in collecting disaggregated cost and participant data from their local workforce boards – and if so, describe the methodology used; assess the strengths, weaknesses, and applicability of the methodology; and provide preliminary intensive and training unit cost estimates based on the most recent available program year (PY 2002 or PY 2003); and (2) examine the issues and challenges to ETA if it wishes to implement nationally a valid and reliable methodology for estimating unit costs by major service category.

Through discussions with ETA national and regional staff, review of WIA Annual Reports, and consultations with public interest groups and academic researchers, we identified three states – Arkansas, Florida, and Michigan – that collect and compile disaggregated service category WIA ADW *costs* from their local WIBs. Further, two of these states (Florida and Michigan) routinely report number of participants by service

category. Our *primary* line of data collection and analysis was to develop and interpret unit cost estimates through site visits to – and case studies of – these three states and two of their local workforce areas. Each site visit was conducted by two or three researchers who met with state and local program and financial staff and obtained documents describing financial and participant data systems. Each case study covers the following areas and topics:

- Background and Overview of the State and Local ADW Programs – Topics include organizational structure, program emphasis, and state programmatic and fiscal monitoring.
- Capturing Service-Level Cost Data – Topics include guidelines and financial reporting systems that states established, methodologies that local areas used to allocate expenditures to cost categories established by the state, and how the state used the service-level information cost information that it obtained.
- Capturing Service-Level Participant Data – Topics included descriptions of participant enrollment and participant reporting systems.
- Estimates of Unit Costs of Intensive and Training Services.
- Conclusions, Including Strengths/Limitations of the Methodology

As a *secondary* line of analysis, project researchers secured the cooperation of WIBs in two localities – Pittsburgh (Pennsylvania) and Ramsey County (Minnesota) – in states that do not require collection and reporting of service-level cost information. Both states, however, had systems that reported disaggregated participant data from their local areas. Project staff conducted site visits and, working with local agency staff, produced per-unit cost estimates from intensive and training services for these two localities.<sup>9</sup> The purpose was to test whether it was possible to adapt the Arkansas cost category guidelines and the cost allocation procedures used in one of its local areas (Hot Springs),

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<sup>9</sup> Similar to the three state case studies, site visits were conducted by two or three staff who met with local program and financial staff and obtained documents on financial and participant data.

in conjunction with available disaggregated participant data, to obtain unit cost estimates.<sup>10</sup> We anticipated that this development and testing in local areas in states that did not have disaggregated financial reporting would be useful in providing ETA with additional examples of the challenges and feasibility of implementing cost categories and cost allocation at the local level. Further, such an effort had the potential of providing guidance to local WIBs that may want make their own unit cost estimates by service category regardless of whether such procedures might be required by ETA in the future.

### ***C. Organization of the Report***

The chapters that follow present key findings and implications of developing unit cost estimates for Adult and Dislocated Worker programs at the state and local WIB levels. *Chapters 2 through 4* document the methodology employed in three states – Florida, Michigan, and Arkansas – (and two localities within each state) to generate unit cost estimates by major service category, and assess the relative strengths and weaknesses of the approaches employed. Chapter 5 examines our experiences with applying the cost estimating methodology employed in Arkansas in two localities – Pittsburgh, Pennsylvania and Ramsey County, Minnesota – that do not currently collect data necessary for generating unit cost estimates. A final chapter synthesizes results across the three principal study states – Florida, Minnesota, and Arkansas – and presents overall study findings, conclusions, and recommendations.

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<sup>10</sup> We applied the Arkansas cost methodology because: (1) the state had developed a clear guidance for which specific program activities fit within the three main cost categories (i.e., core, intensive, and training) that could be used as guidance in categorizing costs in the two local areas; and (2) data collection had been completed in Arkansas – but not in Michigan and Florida – at the time the local site visits were initiated, so we could not use the latter two states’ case study approaches.

## **CHAPTER 2:**

### **CASE STUDY OF UNIT COST ESTIMATES IN MICHIGAN**

#### **A. Background and Overview of the Michigan WIA Adult and Dislocated Worker Program**

The Office of Workforce Development (OWD) in the Michigan Department of Career Development (MDCD) oversees the 25 local Michigan Works! Agencies (MWA). The MWAs operate a host of workforce programs in the One-Stop Career Centers. These include Workforce Investment Act (WIA), Work First/Welfare Reform, and Employment Service (ES) programs. According to a recent report, Michigan has a much-devolved system that provides autonomy regarding operations and service delivery to the local agencies.<sup>11</sup> The agencies use this autonomy to pursue a variety of approaches. However, the state also established a statewide management information system (MIS) for collecting and sharing information across programs. To understand the differences in the organizational structures, financial and participant data collection procedures, and the way they provide services, we visited two local MWA's: Capital Area MWA and the Kalamazoo-St. Joseph MWA. Both MWAs contract with outside providers to staff the One-Stop Career Centers and provide direct services to customers.

##### **I. Capital Area**

In Lansing, the local Workforce Investment Board contracts with Capital Area to administer the WIA ADW program in the MWA and provide workforce services. The

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<sup>11</sup> Dan O'Shea and Christopher King, "Michigan" in *The Workforce Investment Act in Eight States: State Case Studies from a Field Network Evaluation: Volume One*, prepared for the U.S. Department of Labor, Employment and Training Administration, 2004. Available at [http://www.doleta.gov/reports/searcheta/occ/papers/RIG.Vol.One.%20Michigan\\_4.22.04.pdf](http://www.doleta.gov/reports/searcheta/occ/papers/RIG.Vol.One.%20Michigan_4.22.04.pdf)

Capital Area MWA operates three One-Stop Career Centers in Clinton, Eaton, and Ingham counties. It has 24 subcontractors that provide services through its three centers, including a mix of for-profit staffing agencies, educational institutions, credit unions, non-profit community agencies, and state agencies (e.g., Michigan Rehabilitation Services). There are six subcontractors for the ADW programs, although in some cases, a subcontractor will only provide certain activities (e.g., Ingham Intermediate School District is only contracted to staff the resource center and provide core services). The subcontractors are responsible for issuing Individual Training Accounts (ITAs) at their discretion.

ES is integrated into the One-Stop Career Centers and Capital Area funds the provision of core services with both ES and WIA funds. Subcontractors are responsible for developing their own customer base. When customers enter the One-Stop Career Center seeking services, they are assisted by a worker from one of the subcontractors. Staff from these agencies “work the floor” and, unless a client has specific needs (e.g., is a non-English speaker), they generally rotate the agency to which a job seeker is assigned. The decision as to whether an individual should be enrolled in WIA as a participant is at the discretion of the subcontractor serving that individual. Subcontractors vary in terms of the criteria they use in determining whether to enroll participants in WIA.

## **2. *Kalamazoo – St. Joseph***

In Kalamazoo, the local WIB is the grant recipient, and it contracts with the Upjohn Institute to administer the grant. The MWA encompasses two counties

(Kalamazoo and St. Joseph) and operates two One-Stop Career Centers. Two contractors are responsible for providing WIA ADW services: the Adult program is run by the Kalamazoo Regional Educational Service Agency (KRESA) and Dislocated Worker services are provided by AFL-CIO Human Resources Development, Inc. (HRDI). Unlike Capital Area, with the exception of OJT reimbursement, Upjohn manages all payments for WIA training services. Similar to Capital Area, ES is integrated in the Career Centers. In Kalamazoo, all core services are provided through ES, although WIA funds a small portion of them. When individuals come into one of the One-Stop Career Centers, they initially speak with an ES representative. Once they are registered for ES, the ES staff person can refer them to the appropriate WIA program as is deemed necessary. All of the One-Stop Career Center partners meet on a weekly basis to determine participants' eligibility for other services (including WIA).

***B. Recording and Reporting Service-Level Cost Data in Michigan***

The state requires that MWAs submit quarterly expenditure reports broken out by Adult and Dislocated Worker programs, and within programs, by service type: core, intensive, and training. The state instructs MWAs to follow WIA regulations in determining which activities constitute which type of service; however, staff noted that the WIA regulations can be vague and subject to interpretation. Administrative and information technology (IT) costs are reported separately under the administrative cost category. The state instructs MWAs to use the definitions in WIA to make the distinction

between administrative and program costs.<sup>12</sup> State staff noted that each of the 25 MWAs differs in terms of their program structure. As such, the state grants them significant leeway in terms of how they define cost categories and allocate program costs.

### *1. Capital Area*

Subcontractors to the Capital Area MWA generally provide services across both Adult and Dislocated Worker programs and service types. The cost allocation process is further complicated by the especially large number of subcontractors providing services in the MWA. Because all of the service provision is contracted out, Capital Area's only costs allocated to WIA program funds are for its MIS and quality assurance. These costs are allocated to the different activities (core, intensive, and training) based on a proportional share of contractor expenditures for these service levels. All of the MWA's administrative costs are pooled across the WIA programs. In addition, the MWA pays for roughly 10 to 15 percent of its total administrative costs with Wagner-Peyser funds.

Prior to each program year, each subcontractor submits the total number of customers they anticipate serving (by Adult and Dislocated Worker program and service level) and the anticipated cost per placement (e.g., total intensive service expenditures divided by number of enrollees in entered employment). In addition, each subcontractor submits a cost allocation plan to Capital Area. Subcontractors are responsible for developing their own methodology for defining and allocating program expenditures. For example, one subcontractor (a local intermediate school district), provides services funded through a variety of programs, including WIA ADW. It is not uncommon for a

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<sup>12</sup> Michigan Department of Career Development, Office of Workforce Development Policy Issuance (PI) No. 02-19. In discussing "Categorization of WIA Expenses," the PI cites section 667.220 of the WIA Final Rules.

staff person to provide adult and dislocated workers with core, intensive, and training services over the course of a single time period. The subcontractor requires that staff record how they spend their time each day using timesheets.

All direct costs—goods and services purchased for a specific program and service within that program—are charged directly to the appropriate program. For example, if someone enrolled in the Adult program is receiving an ITA, this would be charged to Adult direct training. Remaining (shared) costs are allocated based on time sheets. Salaries are allocated based on the percent of time a given staff member spends providing a particular service. The subcontractor charges building costs (e.g., utilities, maintenance) and shared administrative costs to activities based on time sheets completed by full-time equivalent staff (FTEs) for that program. Other subcontractors use other methods, such as participant counts, to allocate costs that cannot be directly billed to a specific program.

The Capital Area MWA allocates a set amount of training funds to each subcontractor on an annual basis, and the distribution of these funds is left to the discretion of the subcontractor. Its subcontractors charge to training costs all case management services associated with providing services to customers with ITAs.

## **2. *Kalamazoo-St. Joseph***

Kalamazoo's data system allows staff to generate monthly reports detailing expenditures. Costs are listed separately for: staff salaries, fringe benefits, copies/duplicating, data processing, equipment purchase (less than \$5,000), insurance, marketing/advertising, miscellaneous expenses, postage/mailing, professional fees,

space/facilities, office supplies, telephone, travel, utilities, participant supportive services, participant fees, participant training materials, and OJT employer reimbursement.

As noted above, HRDI provides all Dislocated Worker services and KRESA provides all Adult services. All core services are provided by the ES contractor. Each year, Upjohn sets aside a pre-determined amount of funds from the Adult and Dislocated Worker grants to be used for core services. Usually, this allocation represents roughly five or six percent of the total WIA grant amount. This allocation represents an estimate of the amount of funds needed to provide core services to the WIA population.<sup>13</sup> Aside from the pre-determined amount set aside for core services, all HRDI expenditures other than reimbursement to OJT employers are allocated to intensive services (the direct OJT costs are included in training). Similarly, KRESA does not allocate any of its WIA expenditures to core other than the pre-determined amount.

Upjohn, the administrative entity in Kalamazoo, is responsible for managing payments for all ITAs. Upjohn allocates a set amount of money that the subcontractors can use to provide customers with ITAs. Subcontractors can request an increase in this set aside over the course of the year if they feel more training dollars are needed. Each subcontractor has discretion over how this training money is spent, but they do not allocate any of their own expenditures to training, except for OJT reimbursements. Kalamazoo allocates a smaller proportion of its WIA funds to training than does Capital Area; in part because the staff time spent working with customers enrolled in training is allocated to intensive services. Capital Area allocates this cost to training services.

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<sup>13</sup> The lack of data on total core recipients makes this difficult, but Upjohn tries to base this percentage on historical participation and estimated expenditures.

***C. Recording and Reporting Service-Level Participant Data in Michigan***

MDCD maintains a statewide web-based MIS that MWAs use to record participation in WIA and outcomes. The data in the MIS are based on information entered by MWAs (and, when applicable, their subcontractors). State staff can access individual records from all MWAs. The system is capable of producing reports for any time frame (as opposed to the financial data, which, at the state level, is only available quarterly). The state has also developed roughly 20 canned queries that MWAs can use to generate local-level participation reports. MWAs can also produce their own reports through ad hoc queries.

Data on participation for WIA ADW programs is available by service type. The data include the average wage and the number registered, exited, and in entered employment. Reports from this system list these outcomes broken down by gender, age, and race/ethnicity. The MIS's capabilities extend beyond the data collection required by ETA. Using the MIS, MWAs can pre-register individuals for WIA. This function gives MWAs an opportunity to track those customers receiving WIA-funded services who are not enrolled in WIA. However, many MWAs do not use this added feature and they vary in the method and extent to which they track total participation in any program (including ES). Methods for tracking total participation include door counters, swipe cards, and hand counts.

### ***1. Capital Area***

Capital Area only enters customers into the state's system if they are formally enrolled in WIA ADW. The primary core service WIA enrollees receive is an eligibility determination. Once an individual is enrolled, he/she receives intensive case management that helps determine whether there is a need for training. Hence, almost all individuals enrolled in core services go on to intensive services.

### ***2. Kalamazoo-St. Joseph***

In Kalamazoo, One-Stop Career Center staff use the system's WIA pre-registration function prior to making a WIA eligibility determination. Using the pre-registration function allows the MWA to record participation data for those individuals receiving core services. If they are deemed eligible for WIA, they are then formally enrolled and move on to intensive case management. The MWA bases enrollment on whether the customer shows commitment. In Kalamazoo, almost no WIA enrollees receive core-only services. Customers are only enrolled in WIA if they appear to need intensive services and/or training.

### ***D. Estimates of Unit Costs for ADW Intensive and Training Services***

Exhibits 2-1 and 2-2 present aggregate costs and participation for program year 2003 by ADW program funding source, service type, and MWA, as reported to the state by the MWAs. We calculated the cost per participant by taking the costs spent in the program year, divided by the total number of participants who were enrolled in that year. The unit costs are only as accurate as the participation and cost information. If MWAs

**EXHIBIT 2-1: UNIT COST ESTIMATES, MICHIGAN, WIA ADULT PROGRAM (PY 2003)**

Michigan Workforce Area	Expenditures			Participation			Unit Costs		
	Core	Intensive	Training	Core	Intensive	Training	Core	Intensive	Training
ACSET	\$194,635	\$180,067	\$1,147,523	1,202	816	384	\$162	\$221	\$2,988
Berrien/Cass/Van Buren	\$202,214	\$424,675	\$96,177	243	243	84	\$832	\$1,748	\$1,145
Calhoun ISD	\$168,077	\$131,609	\$258,390	245	244	144	\$686	\$539	\$1,794
Capital Area	\$316,987	\$175,627	\$207,810	473	255	124	\$670	\$689	\$1,676
Career Alliance	\$1,231,267	\$791,728	\$672,168	1,582	429	143	\$778	\$1,846	\$4,700
Central Area	\$222,736	\$225,688	\$254,205	305	305	148	\$730	\$740	\$1,718
City of Detroit	\$1,046,215	\$1,270,392	\$4,020,604	1,839	1,640	623	\$569	\$775	\$6,454
Eastern U.P.	\$102,806	\$105,702	\$302,839	194	193	108	\$530	\$548	\$2,804
Kalamazoo-St. Joseph	\$26,098	\$392,071	\$156,501	292	292	188	\$89	\$1,343	\$832
The Job Force	\$646,851	\$16,723	\$75,697	481	480	124	\$1,345	\$35	\$610
Livingston County	\$39,535	\$9,328	\$18,384	43	43	11	\$919	\$217	\$1,671
Macomb/St. Clair	\$379,894	\$294,098	\$1,499,795	985	984	684	\$386	\$299	\$2,193
Muskegon County	\$2,882	\$570,766	\$183,880	464	378	193	\$6	\$1,510	\$953
Northeast	\$398,454	\$341,000	\$359,989	353	303	191	\$1,129	\$1,125	\$1,885
Northwest	\$392,480	\$86,007	\$507,643	349	339	188	\$1,125	\$254	\$2,700
Oakland County	\$852,751	\$515,095	\$351,871	379	339	139	\$2,250	\$1,519	\$2,531
Ottawa County	\$0	\$192,242	\$61,261	135	135	38	\$0	\$1,424	\$1,612
Region 7B	\$476,548	\$75,059	\$162,607	148	148	89	\$3,220	\$507	\$1,827
Saginaw/Midland/Bay	\$115,173	\$350,918	\$840,896	808	675	348	\$143	\$520	\$2,416
South Central	\$227,344	\$180,510	\$231,143	153	137	71	\$1,486	\$1,318	\$3,256
SEMCA	\$682,714	\$284,275	\$258,339	644	151	43	\$1,060	\$1,883	\$6,008
Thumb Area	\$270,631	\$294,452	\$641,253	986	984	644	\$274	\$299	\$996
Washtenaw County	\$83,883	\$102,383	\$52,724	89	84	32	\$943	\$1,219	\$1,648
West Central	\$201,828	\$288,393	\$316,102	366	273	155	\$551	\$1,056	\$2,039
Western U.P.	\$30,497	\$21,330	\$428,395	322	322	214	\$95	\$66	\$2,002
<b>Total</b>	<b>\$8,312,499</b>	<b>\$7,320,138</b>	<b>\$13,106,196</b>	<b>13,080</b>	<b>10,192</b>	<b>5,110</b>	<b>\$636</b>	<b>\$718</b>	<b>\$2,565</b>

Note: Expenditure and participation data provided by the Michigan Department of Career Development. Unit costs were developed based on these data.

**EXHIBIT 2-2: UNIT COST ESTIMATES, MICHIGAN, WIA DISLOCATED WORKER PROGRAM (PY 2003)**

Michigan Workforce Area	Expenditures			Participation			Unit Costs		
	Core	Intensive	Training	Core	Intensive	Training	Core	Intensive	Training
ACSET	\$210,419	\$114,940	\$1,664,984	405	701	553	\$248	\$164	\$3,011
Berrien/Cass/Van Buren	\$399,461	\$96,486	\$240,987	339	402	148	\$986	\$240	\$1,628
Calhoun ISD	\$0	\$281,203	\$496,061	262	332	229	\$0	\$847	\$2,166
Capital Area	\$62,182	\$188,924	\$264,189	873	261	171	\$237	\$724	\$1,545
Career Alliance	\$879,178	\$465,735	\$463,749	146	408	251	\$1,007	\$1,142	\$1,848
Central Area	\$218,368	\$148,810	\$140,424	942	143	77	\$1,496	\$1,041	\$1,824
City of Detroit	\$1,579,526	\$1,721,510	\$2,714,711	101	740	510	\$1,677	\$2,326	\$5,323
Eastern U.P.	\$52,650	\$90,936	\$169,022	314	101	51	\$521	\$900	\$3,314
Kalamazoo-St. Joseph	\$33,781	\$449,097	\$149,271	390	314	166	\$108	\$1,430	\$899
The Job Force	\$486,597	\$18,039	\$59,315	127	389	128	\$1,248	\$46	\$463
Livingston County	\$135,616	\$23,563	\$73,895	1,234	126	64	\$1,068	\$187	\$1,155
Macomb/St. Clair	\$456,036	\$353,273	\$1,455,267	299	1,234	840	\$370	\$286	\$1,732
Muskegon County	\$2,975	\$763,599	\$102,530	243	291	185	\$10	\$2,624	\$554
Northeast	\$278,997	\$323,791	\$159,412	334	203	142	\$1,148	\$1,595	\$1,123
Northwest	\$595,961	\$118,258	\$375,024	443	324	150	\$1,784	\$365	\$2,500
Oakland County	\$1,207,569	\$740,760	\$377,058	376	402	273	\$2,726	\$1,843	\$1,381
Ottawa County	\$19,825	\$290,000	\$222,292	126	374	151	\$53	\$775	\$1,472
Region 7B	\$364,323	\$83,511	\$133,196	241	126	67	\$2,891	\$663	\$1,988
Saginaw/Midland/Bay	\$132,624	\$272,258	\$434,636	435	234	121	\$550	\$1,163	\$3,592
South Central	\$294,764	\$261,315	\$311,300	825	416	362	\$678	\$628	\$860
SEMCA	\$1,346,550	\$512,274	\$572,395	627	379	198	\$1,632	\$1,352	\$2,891
Thumb Area	\$188,878	\$148,741	\$482,426	108	625	462	\$301	\$238	\$1,044
Washtenaw County	\$97,164	\$138,027	\$82,206	346	104	45	\$900	\$1,327	\$1,827
West Central	\$191,656	\$264,629	\$431,226	112	306	200	\$554	\$865	\$2,156
Western U.P.	\$27,623	\$12,982	\$219,363	405	112	75	\$247	\$116	\$2,925
<b>Total</b>	<b>\$9,262,722</b>	<b>\$7,882,660</b>	<b>\$11,794,937</b>	<b>10,732</b>	<b>9,283</b>	<b>5,782</b>	<b>\$863</b>	<b>\$849</b>	<b>\$2,040</b>

Note: Expenditure and participation data provided by the Michigan Department of Career Development. Unit costs were developed based on these data.

tend to provide core services to customers, but not officially enroll them in the program, the unit costs here might be higher than actual unit costs (the denominator of the equation is artificially low, thereby resulting in a higher unit cost). Also, as was noted above, MWAs differ in terms of how they allocate their costs to intensive and training services. Some might consider the labor costs associated with providing case management services to customers enrolled in training to be intensive service costs; other MWAs consider these to be training costs. For both the Adult and Dislocated Worker programs, Kalamazoo considers these costs to be intensive services, while Capital Area considers these to be training services. This difference in methodology is reflected in the unit costs for the Dislocated Worker program presented in Exhibit 2-2. In PY 2003, the estimated unit cost for Dislocated Worker training is \$1,545 for Capital Area and \$899 for Kalamazoo, while the unit cost for intensive services is \$724 for Capital Area and \$1,430 for Kalamazoo. As the tables show, there is a wide range of unit costs across the state. These differences are likely to reflect differences in methodology as well as differences in “real” costs.

***E. Conclusions/Key Findings/Limitations of Methodology Employed***

***Estimating costs by service level.*** The state requires MWAs to submit quarterly expenditure reports broken out by Adult and Dislocated Worker programs, and within programs by service type. However, aside from directing MWAs to the appropriate WIA regulations it offers limited guidance. MWAs have substantial discretion as to how they track expenditures and define cost categories. This results in a high level of variation across the MWAs in terms of how costs are distributed across different service levels.

For example, in Kalamazoo, the only costs allocated to training are ITAs and OJT. All case management associated with training is allocated to intensive. In comparison, subcontractors in Lansing are far more likely to allocate case management costs to training. The differences in methodology limit comparability of cost estimates across MWAs within the state.

Another example of variation in cost estimation practices across MWAs is how expenditures are allocated to core services, when other funding sources (e.g., Wagner-Peyser) share in the costs of providing services at the One-Stop. In Kalamazoo, the MWA allocates a pre-determined amount of funds from the Adult and Dislocated Worker grants to be used for core services (approximately 5 to 6 percent), but this is determined in advance, as opposed to actual resources spent on these services. In Lansing, core services are funded through a combination of ES and WIA funds. Subcontractors are responsible for developing their own methodology for tracking the costs associated with providing core services. For example, one subcontractor uses time sheets filled out by staff to allocate these costs across the different programs.

***Estimating participants by service level.*** MDCCD maintains a statewide MIS that all MWAs use. This provides accurate WIA participation counts for intensive and training. It has a pre-registration function that could be used to collect individuals receiving unassisted core services who are not enrolled in the management information system, which would allow one to calculate more accurate unit costs for core services. However, many MWAs do not use this function.

***What needs to be done to make the estimates truly valid and reliable?*** To develop estimates that are more reliable, the state would need to provide the MWAs with

more in-depth guidance on the allocation of expenditures to different service types. As previously noted, there are substantial differences in the methodology MWAs use to allocate costs between intensive and training. In particular, it would help if the state took steps that limit the variation in the ways MWAs allocated the case management costs associated with customers enrolled in training. The current differences in methodology limit the validity of any unit cost estimates generated.

## **CHAPTER 3:**

### **CASE STUDY OF UNIT COST ESTIMATES IN FLORIDA**

#### **A. Background and Overview of the Florida WIA ADW Program<sup>14</sup>**

Florida has 24 workforce investment areas overseen by regional workforce boards (RWBs), Florida's equivalent to local Workforce Investment Boards. The legislature has played a major leadership role in Florida. In 2000, the Florida legislature consolidated the funding streams of TANF, WIA, Wagner-Peyser Act, Food Stamp Employment and Training, Welfare-to-Work, veterans' employment and training services, and Job Corps outreach so that all major workforce programs are administered by the RWBs and operated through the state's One-Stop Career Centers. In the same year, the state placed all Employment Service employees providing labor exchange services under the local boards' control.<sup>15</sup> The state legislature has also provided strong leadership in: (1) establishing many performance standards beyond those required by the federal government for workforce development programs; (2) dedicating \$2 million in state-level WIA funds for an incumbent worker program; and (3) requiring additional members for state and local boards. Moreover, the legislature has passed a number of laws regarding the implementation of WIA in Florida. One provision states: "At least 50 percent of the Title I funds for Adults and Dislocated Workers that are passed through to regional

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<sup>14</sup> This section is based on Burt S. Barnow and Amy Buck, "Florida" in *The Workforce Investment Act in Eight States: State Case Studies from a Field Network Evaluation: Volume Two*, prepared for the U.S. Department of Labor, Employment and Training Administration. Available at [http://www.doleta.gov/reports/searcheta/occ/papers/RIG.Vol.Two.Florida\\_4-22-04.pdf](http://www.doleta.gov/reports/searcheta/occ/papers/RIG.Vol.Two.Florida_4-22-04.pdf).

<sup>15</sup> Employment service employees officially report to supervisors in their agency, but on a day-to-day basis, they are part of the One-Stop Career Center staff and receive direction from the One-Stop management.

workforce boards shall be allocated to Individual Training Accounts unless a regional workforce board obtains a waiver from Workforce Florida, Inc.”<sup>16</sup>

The chief policy organization for workforce development in Florida is Workforce Florida, Inc. (WFI), a quasi-public nonprofit organization that serves as the state Workforce Investment Board. The Agency for Workforce Innovation (AWI) is the state agency that administers the WIA program in Florida. The legislature created the agency in 2000 to consolidate administration of workforce programs in the state, and it operates under a performance contract with Workforce Florida, Inc.

Local boards have administrative authority over WIA Title I programs, welfare transition programs (TANF workforce development funds), Food Stamp Employment and Training, Job Corps recruitment, and Wagner-Peyser Act funded activities. These services are provided through the One-Stop delivery system. The state does not require additional One-Stop Career Center partners beyond those required in the WIA statute, but the Workforce Florida Act of 1996 strongly encourages co-location of all workforce development programs. Each local board develops its own memoranda of understanding (MOU) with local partners.

RWBs designate the operators of local One-Stop Career Centers. In Florida, there are a range of designations for One-Stop Career Centers, including full-service centers, business services centers, more professionally tailored partial-service One-Stop Career

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<sup>16</sup> Chapter 445.003 (3)(a) Florida Statutes. In implementing this requirement, Florida established a cost category called State ITA expenditures that includes both Federal ITA expenditures and other costs, such as the costs of career assessment, development of career plans, case management, and the costs of supportive services that directly benefit participant training. In other states and workforce areas we visited, these costs would typically be considered intensive services. See Florida Agency for Workforce Innovation, FG – 00-002a, April 2001. One of the purposes of this guidance was to expand the list of allowable expenditures under the 50% requirement.

Centers in retail districts, and kiosks (in malls, public housing complexes, and community colleges). The state board does not generally approve local boards to directly provide services. Wagner-Peyser Act funded staff are located in the One-Stop Career Centers and provide staff-assisted job referrals and other core services. Labor exchange activities are completely integrated in the One-Stop Career Centers. Local boards sometimes supplement AWI staff with staff of a private contractor. Unemployment Insurance (UI) staff are not present at the One-Stop Career Centers.

The most common services One-Stop customers request are labor exchange services and training. The majority of customers served are from low-income families with children and other low-wage groups. In addition, some WIA services are available for professional/managerial employees, though this varies by region. Some local boards have concentrated their efforts on higher-level skills development and education. Many One-Stop Career Centers provide services to employed workers to support job retention and advancement. All local boards provide supportive services, such as transportation.

Most training is funded through ITAs. Local boards have the option of setting dollar limits on the amounts of ITAs. Local boards are required to train for high-wages/high-demand positions. In Florida, selection of a training provider is almost always a guided choice rather than a pure voucher. ITAs have been used extensively in Florida. Customized training and on-the-job training have also been frequently employed.

Because community and technical colleges were already reporting relevant data, the WIA reporting requirements for vendors have not been burdensome or acted as a disincentive to vendors serving WIA customers. Florida has developed its own

performance measures. Legislation enacted in 1996 required the state to develop a three-tier performance management system to cover all job training, placement, career education, and other workforce programs. These measures, particularly the “Red and Green Indicator Matrix,” are used extensively by state and local boards in an attempt to gauge system performance.

Florida’s web-based One-Stop Management Information System (OSMIS) integrates data for all workforce programs, including both financial and program data. The degree to which One-Stop Career Centers capture and track information for persons using self-directed services varies by local area. During the site visits, we met with AWI program, financial, and management information system staff, and we visited two regional workforce boards – Region 8 and Region 9. Region 8, the First Coast RWB, comprises six counties in the Jacksonville metropolitan area; Region 9, the Alachua Bradford RWB, consists of two counties including the city of Gainesville. The two RWBs are operated very distinctly: Region 8’s board is incorporated as a nonprofit and has its own staff, while Region 9 is operated by a for-profit firm, BCN. The One-Stop Career Centers in Region 8 are operated by a consortium of the One-Stop partners; the One-Stop Career Centers in Region 8 include staff from a for-profit firm (ACS) retained by the board. In Region 9, the manager of the One-Stop system is a BCN employee, and site managers and One-Stop staff are provided by Region 9’s sole contractor, Santa Fe Community College.<sup>17</sup>

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<sup>17</sup> Other vendors serve as subcontractors to Santa Fe Community College.

## ***B. Recording and Reporting Service-Level Cost Data in Florida***

Florida uses OSMIS to capture detailed information on all of its major workforce programs that are operated through the One-Stop system. The Florida MIS is more comprehensive than many state systems in two ways:

- The system covers all the major workforce programs operated through the local RWBs:
  - WIA formula and state funds for adults, dislocated workers, and youth;
  - Federally funded non-formula WIA programs such as national emergency grants;
  - Welfare transition programs (formula and state TANF),
  - Welfare-to-Work formula program (no longer in existence);
  - Wagner-Peyser program (Employment Service);
  - Disabled Veterans Outreach Program (DVOP);
  - Local Veterans Employment Representatives (LEVR);
  - Food Stamp Employment and Training Program;
  - Job Corps program; and
  - UI funded re-employment program.
  
- For the WIA Adult and Dislocated Worker programs, RWBs are required to report the costs broken down into four tiers of services:
  - Core unassisted services,
  - Core assisted services,
  - Intensive services, and
  - Training.

The financial reporting requirements are described in a guidance paper, and detailed definitions of the cost categories are provided along with state and federal statutory and regulatory references.<sup>18</sup>

Florida requires detailed cost information from its RWBs. One reason for this is that Florida places a strong emphasis on monitoring the performance of the state's 24 RWBs. In addition to the 17 federal WIA performance measures, the state has a number of short-term measures based on administrative data, which are presented in the "Red and

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<sup>18</sup> The material on OSMIS is available on the Internet at <http://www.floridajobs.org/pdg/administration/OSMIS.htm>.

Green Report” and three tiers of measures to facilitate comparisons across programs. For many years, federal workforce performance measures have not included costs, but Florida considers this to be an important aspect of its performance measurement system, and costs per participant and costs per positive outcome are provided in the state’s annual report in the chapter on performance.<sup>19</sup>

Although Florida requires the RWBs to report cost data by the ADW programs and by service level within programs, the state does not mandate a particular method so long as the RWB follows standard accepted accounting methods. As is discussed below, Regions 8 and 9 use different approaches to calculating costs at the activity level. State staff recognize that decomposing costs for core services into assisted and unassisted core services is particularly challenging. The cost allocation procedures for each RWB are described below.

### ***1. Region 8***

In Region 8, all costs that can be directly allocated to a funding stream and activity are assigned. For example, expenditures for ITAs are directly charged, first to the Adult or Dislocated Worker program and then to training expenditures within each program.

The RWB then uses a two-step procedure for allocating program costs that cannot be directly allocated to a specific program (Adult and Dislocated Worker) and service level (unassisted core, assisted core, intensive, and training). Shared costs that are captured in different cost centers for the One-Stop Career Centers are allocated first to

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<sup>19</sup> See *Workforce Florida 2003-2004 Annual Report* available at [http://www.workforceflorida.com/wages/wfi/news/reports/ar/03-04\\_wfi.html](http://www.workforceflorida.com/wages/wfi/news/reports/ar/03-04_wfi.html).

four programs—Adult, Dislocated Worker, youth, and TANF. To allocate the shared costs, the RWB uses relative percentages of participants enrolled, which is obtained from OSMIS, using a rolling four-quarter average. The RWB uses a rolling four-quarter average because enrollments in specific programs are volatile and using a four-quarter rolling average smoothes out the numbers.

The second stage of the process allocates the costs that were allocated at the first stage to the ADW programs to core, intensive, and training services. Each year, all One-Stop staff complete a two-week time study. Within the WIA ADW programs, they break out their time by core, intensive, and training. The relative time distributions are then used to allocate the pooled costs. To illustrate, in a recent time study for the WIA Adult program, 46% of staff time was spent on core, 29% on intensive, and 25% on training. The RWB allocates the costs associated with RWB staff in much the same way as it does for the One-Stop Career Centers. The first stage allocates shared program costs to individual programs based on relative numbers of participants, as was true for the One-Stop Career Centers. The second stage uses the One-Stop staff time study to allocate board shared costs for the WIA ADW programs across core, intensive, and training services.

The only difference is that, unlike the One-Stop Career Centers, the RWB needs to separate WIA programmatic and administrative costs. To do this, each year, board staff complete a two-week time study. The time study allows the RWB's accountants to estimate the proportion of staff time spent on administrative versus programmatic activities. They also note if staff are directly charged to certain accounts such as special

grants outside of WIA and TANF. The RWB updates the report quarterly or, if it receives special projects/grants, it requires a new staff time study.

The RWB has an active business outreach program. The consortium employs business consultants to work with employers. The business consultants' salaries are cost allocated using the same methodology as is used for all services in the One-Stop Career Centers. In addition to this, there are direct expenses, such as ITA vouchers, support services, and employment worker training, that can be directly charged to the appropriate program and service level.

## **2. Region 9**

Region 9's cost allocation process is different than the process used in Region 8. It first uses time studies to allocate costs across the programs and then use participation information from OSMIS to allocate the costs to the service levels (unassisted core, assisted core, intensive, and training).

There are four main cost categories that the RWB uses in its cost allocation plan:

- **Direct Charge Contracts and Services.** These include contracts with service providers to provide benefits for which the RWB is able to directly charge the appropriate grant. These charges include: transportation contracts (TANF), Youth and Teen Pregnancy Prevention (WIA Youth and TANF Work Transition Program (WTP)), ITAs, and OJT.
- **Service Provider Contracts.** The RWB's contract with Santa Fe Community College (SFCC) (and SFCC's contracts with its subcontractors) is 80 percent fixed price, with the other 20 percent performance-based. These costs are allocated based on personnel activity logs.
- **Region Cost Pool.** This includes leases, insurance, maintenance, IT services, marketing and business services, and universal core services. The RWB uses FTE staffing patterns to allocate these costs.
- **General & Administrative Cost Pool.** This includes attorney fees, audit fees, board operating expenses, and the administration portion of BCN's contract.

BCN (the “Administrative Entity”) receives 10 percent of the RWB’s WIA allocation to support its administrative costs (the General and Administrative Cost Pool). BCN’s contract, which also includes the Region Cost Pool, is fixed price and is paid in monthly installments. The programmatic costs include IT services and the salary of the One-Stop Manager.

The remaining funds support the operation of the three One-Stop Career Centers in the region. Each service provider tracks FTEs with activity logs (time sheets). These monthly logs serve as the basis for the cost allocation to each of the different programs. Only direct service providers fill out the activity logs. Clerical workers and management staff do not – their time is allocated based on the aggregate time expenditures of the direct workers.

Activity logs break out costs by program but not service level. The RWB uses participant data pulled on a monthly basis from OSMIS to allocate monthly funds by service. OSMIS includes participant counts by assisted core, intensive, and training. The RWB also allocates costs between unassisted and staff-assisted core services. With no effective means for tracking this breakout, the RWB simply allocates 50 percent to each. The accountant and program director that were interviewed noted that this split is a financial management mechanism and that there is no accurate way to perform the allocation. Staff noted that it would be difficult to allocate costs strictly based on job seekers served in unassisted core, as that would result in over-allocating costs of providing these “light-touch” services.

Management monitors costs to ensure that the RWB is meeting its expected expenditure targets. At the beginning of the year, staff is informed of targets across

programs based on the RWB's allocation for the year. This is especially important given that state law requires RWBs to spend at least 50 percent of their WIA ADW funds on training. In addition, each worker has a goal in terms of the percent of his/her time spent on serving customers from different programs.

### **3. Summary**

Florida requires local RWBs to allocate their funds by ADW service level as well as by program. The two RWBs that we visited use different approaches to allocating these costs. In both cases, expenditures that can be directly allocated (e.g., ITAs) are so allocated. Region 8 allocates shared costs at the program level by enrollment counts and at the service level by time studies. Region 9 allocates shared costs between programs primarily based on staff time allocations and allocates within programs to service levels based on participant counts. The primary weakness in the system is in allocating costs between unassisted and assisted core services. While not a perfect system, the approaches used are reasonable to help the state obtain estimates of the costs of the various services. Importantly, both RWBs said that while some effort was required to perform the cost allocation, they did not consider the process to be a major burden.

#### ***C. Recording and Reporting Service-Level Participant Data in Florida***

In general, it is simpler to record and allocate participant data than cost data. The major issues that arise for the participant data are tracking users of core services, particularly unassisted core services, dealing with co-enrollments across programs, and establishing clear boundaries between core unassisted, core assisted, intensive services,

and training. Florida requires the RWBs to collect participant data by program stream and service level as well as exit data, so the participant data can be used to study unit costs. Findings for Regions 8 and 9 are presented below.

### ***1. Region 8***

The RWB uses the state system, OSMIS, to track core, intensive, and training services provided to customers in its WIA ADW programs. OSMIS enables the RWB to track all customers enrolled in any of the programs operating out of the One-Stop Career Centers. However, the RWB does not track many of the customers who receive core services through the One-Stop Career Centers. Unassisted core services are supported by multiple funding sources, including WIA, Wagner-Peyser funds, and TANF workforce funds. In addition, the RWB does not have a very clear picture of the number of customers receiving staff-assisted core services. To get a better sense of customer flow, two years ago, the RWB tried to calculate how many individuals come to the One-Stop Career Centers. Using hand-tallies, it found that, for the year, there were approximately 485,000 distinct visits to the One-Stops. (This was not a unique count of customers, as many customers use the One-Stop more than once.)

Given the mixed caseload, co-enrollment is common. Whenever possible, staff will co-enroll customers in the WIA Adult and Dislocated Workers programs. Individual workers have discretion as to whether or not to co-enroll customers. Staff noted that co-enrollment provides customers with the widest array of services. For example, anyone in Florida who has been on TANF for at least one month is eligible for two years of child care. As such, if a WIA Adult customer is eligible for TANF and needs assistance with

child care, the caseworker will help them apply for TANF benefits. Given the nature of the local economy, the RWB has few TAA customers (less than 20). As such, co-enrollment with TAA is uncommon.

## **2. *Region 9***

The One-Stops use a universal form to register customers for all of their different programs. Usually, the initial registration is for Wagner-Peyser. Through this registration, almost all customers who come into the One-Stop are accounted for. However, they are not registered with WIA until they require assisted services (e.g., more one-on-one case management or support services). The RWB uses the state system, OSMIS, to track core, intensive, and training services provided to registered customers in each of its WIA funding streams. Given the nature of OSMIS, it is possible to double count individuals if they receive more than one type of service within the same month (e.g., when a customer moves from intensive to training, the system would count the person as an enrollee in both service types for that month). Also, although co-enrollment is not extensive in Region 9, One-Stop staff will co-enroll customers when appropriate. For example, if a TANF customer needs more training, a staff person may enroll them in the WIA Adult Program. Staff may also co-enroll customers to take advantage of special grants the RWB might have (e.g., the RWB has a grant from the state to serve first-time job seekers). The RWB only has a few TAA enrollees, but staff will generally co-enroll them in WIA to maximize available training dollars. Staff rarely co-enrolls customers in the Adult and Dislocated Worker Programs – the only reason would be to improve performance on certain measures.

The highest level of services many customers who come into the One-Stop Career Center receive are unassisted core services, with staff available for information and “light-touch” assistance, funded through Wagner-Peyser. This includes the TANF customers who come to the One-Stop Career Centers. The TANF caseload averages about 800 per month, with an average of 50 new customers per month.

In December 2004, the state transferred the ES caseload to OSMIS rather than maintaining a separate MIS. Although staff expressed some concerns about this transfer of data, local RWB staff can now view all of the services customers receive (e.g., WIA and ES) through a single MIS.

***D. Estimates of Unit Costs for ADW Intensive and Training Services***

Exhibits 3-1 and 3-2 present aggregate costs and participation for program year 2003 by program funding source (Adult and Dislocated Worker), service type (core, intensive and training), and RWB. We calculated the cost per participant by taking the costs spent in the program year, and divided by the total number of participants who were enrolled in that year.

The unit costs are only as accurate as the participation and cost information. It is likely that a significant number of customers who receive only core services are not included in the data, so the costs per participant for core services are likely to be overstated. Also, as was noted above, the local boards differ in their policies on how intensive services are used and how they allocate staff costs to training services. These differences in methodology are reflected in the unit costs presented in the tables.

**EXHIBIT 3-1: UNIT COST ESTIMATES, FLORIDA, WIA ADULT PROGRAM (PY 2003)**

RWB	Expenditures			Participants			Cost/Participant		
	Core	Intensive	Training	Core	Intensive	Training	Core	Intensive	Training
1	66,585	437,959	591,905	425	424	451	\$157	\$1,033	\$1,312
2	8,835	34,878	148,947	117	102	68	\$76	\$342	\$2,190
3	83,102	18,790	344,932	230	185	176	\$361	\$102	\$1,960
4	128,763	14,308	586,958	452	327	300	\$285	\$44	\$1,957
5	188,460	379,466	155,800	179	183	140	\$1,053	\$2,074	\$1,113
6	27,506	19,116	419,139	437	434	428	\$63	\$44	\$979
7	255,183	95,146	83,913	200	193	167	\$1,276	\$493	\$502
8	625,702	355,031	1,176,055	1,822	1,836	1,774	\$343	\$193	\$663
9	162,501	26,230	323,551	317	161	158	\$513	\$163	\$2,048
10	170,411	68,999	643,648	388	391	371	\$439	\$176	\$1,735
11	185,596	123,905	573,165	418	351	321	\$444	\$353	\$1,786
12	654,520	931,313	1,632,065	1,463	1,477	843	\$447	\$631	\$1,936
13	112,853	114,569	397,538	444	407	329	\$254	\$281	\$1,208
14	253,453	76,465	541,889	695	578	525	\$365	\$132	\$1,032
15	544,200	313,688	689,006	951	957	964	\$572	\$328	\$715
16	95,167	35,133	413,223	237	238	231	\$402	\$148	\$1,789
17	208,029	200,420	1,430,157	635	465	426	\$328	\$431	\$3,357
18	339,743	65,337	109,985	178	178	172	\$1,909	\$367	\$639
19	115,985	26,189	433,137	186	143	139	\$624	\$183	\$3,116
20	298,074	354,720	1,080,103	690	655	475	\$432	\$542	\$2,274
21	1,584,997	735	616,206	2,824	981	566	\$561	\$1	\$1,089
22	733,953	1,360,186	1,105,286	1,142	1,140	1,024	\$643	\$1,193	\$1,079
23	758,719	2,487,606	9,081,892	8,425	7,527	6,718	\$90	\$330	\$1,352
24	149,052	150,906	837,868	330	284	278	\$452	\$531	\$3,014
<b>TOTAL</b>	<b>7,751,389</b>	<b>7,691,095</b>	<b>23,416,368</b>	<b>23,647</b>	<b>20,078</b>	<b>17,341</b>	<b>\$328</b>	<b>\$383</b>	<b>\$1,350</b>

Note: Expenditure and participation data provided by the Agency for Workforce Innovation (AWI). Unit costs were developed based on these data.

**EXHIBIT 3-2: UNIT COST ESTIMATES, FLORIDA, WIA DISLOCATED WORKER PROGRAM (PY 2003)**

RWB	Expenditures			Participants			Cost/Participant		
	Core	Intensive	Training	Core	Intensive	Training	Core	Intensive	Training
1	115,605	157,285	191,841	129	131	147	\$896	\$1,201	\$1,305
2	12,269	31,495	202,342	209	162	128	\$59	\$194	\$1,581
3	30,710	7,845	117,032	60	50	48	\$512	\$157	\$2,438
4	84,126	8,888	210,254	113	114	113	\$744	\$78	\$1,861
5	70,658	266,027	186,986	170	170	157	\$416	\$1,565	\$1,191
6	22,545	9,655	147,712	40	39	35	\$564	\$248	\$4,220
7	54,224	28,904	63,096	81	80	79	\$669	\$361	\$799
8	398,904	316,934	1,198,908	810	810	701	\$492	\$391	\$1,710
9	79,304	10,207	181,613	51	39	40	\$1,555	\$262	\$4,540
10	71,537	22,648	376,757	175	172	138	\$409	\$132	\$2,730
11	149,606	56,892	489,526	110	101	98	\$1,360	\$563	\$4,995
12	868,007	1,234,147	1,757,361	1,270	1,270	725	\$683	\$972	\$2,424
13	201,771	161,733	456,261	293	247	186	\$689	\$655	\$2,453
14	784,894	152,881	1,166,891	663	641	594	\$1,184	\$239	\$1,964
15	548,522	128,531	924,849	570	565	546	\$962	\$227	\$1,694
16	217,587	111,060	670,898	237	236	226	\$918	\$471	\$2,969
17	119,560	88,551	754,463	295	293	262	\$405	\$302	\$2,880
18	569,563	109,532	201,927	145	141	132	\$3,928	\$777	\$1,530
19	38,656	5,616	219,750	50	44	44	\$773	\$128	\$4,994
20	210,698	228,740	830,056	390	370	299	\$540	\$618	\$2,776
21	1,560,377	9,530	895,043	2,128	1,476	628	\$733	\$6	\$1,425
22	652,376	1,066,635	1,165,314	1,167	1,116	817	\$559	\$956	\$1,426
23	1,787,551	5,860,822	2,378,126	3,503	3,409	3,204	\$510	\$1,719	\$742
24	91,279	94,010	803,084	265	212	208	\$344	\$443	\$3,861
<b>TOTAL</b>	<b>8,740,329</b>	<b>10,168,568</b>	<b>15,590,090</b>	<b>12,941</b>	<b>11,905</b>	<b>9,568</b>	<b>\$675</b>	<b>\$854</b>	<b>\$1,629</b>

Note: Expenditure and participation data provided by the Agency for Workforce Innovation (AWI). Unit costs were developed based on these data.

For the two RWBs we visited, unit costs are higher for Region 9 for both the Adult and Dislocated Worker programs. For the Adult program, intensive costs per participant are \$193 per participant in Region 8 and \$163 in Region 9. The disparity is much greater for training costs – \$663 in Region 8 compared to \$2,048 in Region 9. For dislocated workers, we observe the same pattern. Intensive services are higher per participant in Region 8 than Region 9, \$391 compared to \$262, and training costs are higher in Region 9, \$4,540 in Region 9 compared to \$1,710 in Region 8.

As the tables show, there is a wide range of unit costs across the state. These differences likely reflect differences in methodology as well as differences in true costs. At the low end, the cost per participant for intensive services in Region 21 is under \$10 for both the Adult and Dislocated Worker programs; we did not have the resources to investigate the reason for these unusually low costs per participant for such services. There were several other RWBs with very low costs per participant for intensive services. For the Adult program, two RWBs had unit costs for intensive services of \$44 and one had unit cost of \$102. At the high end, unit costs for one RWB exceeded \$2,000 for intensive services. Unit costs for intensive services followed a similar pattern for dislocated workers, ranging from \$6 in one RWB up to \$1,719 in another. Unit costs for training also exhibited a substantial range. For the Adult program, three RWBs had costs per participant under \$700, and three had costs per participant in excess of \$3,000, while for the Dislocated Worker program, two RWBs had unit costs under \$800 and three had unit costs exceeding \$4,000.

***E. Conclusions/Key Findings/Limitations of Methodology Employed***

***Estimating costs by service level.*** Florida requires RWBs to submit quarterly participant and expenditure reports broken out by Adult and Dislocated Worker programs, and within programs, by service type. The state provides detailed information on state and federal reporting requirements, but the local RWBs have substantial discretion on how they allocate joint costs and how they allocate staff time among various categories. The RWBs are required to submit a cost allocation plan to the state, and the state reviews these plans for compliance to generally accepted standards. We observed differences in allocation methods in the two RWBs we visited, and both approaches are defensible. The local RWBs we visited indicated that it is not possible to accurately allocate costs between unassisted core and assisted core services, so unit costs for either component of core services are especially subject to error.

***Estimating participants by service level.*** The state agency, AWI, maintains a statewide MIS, OSMIS, which all RWBs use. This system provides accurate WIA participation counts for intensive and training services, but all parties acknowledge that it is difficult to capture all core customers and that dividing participants between unassisted core and assisted core is extremely difficult.

***Usefulness of information.*** Florida currently uses its cost and participant data in several ways. First, the state uses cost information to assure that RWBs adhere to the state's statutory requirement that at least 50 percent of WIA funds are spent on training. Second, the state publishes cost per participant and cost per placement by funding source in its annual report. To date, the state has not computed nor published detailed unit cost

data by service level. State officials indicated that the data they provided could be used for such purposes if desired.

*Effort required to make unit cost estimates.* Both RWBs visited indicated that the burden of collecting the data needed to compute service level unit costs is not great. To the extent that activity logs are used, the burden is kept to a minimum by performing the exercise for two weeks at a time once or a few times per year.

*What needs to be done to make the estimates truly valid and reliable?* The current system appears to provide reasonable estimates of unit costs within a given RWB, but comparisons across RWBS are problematic. The state could achieve greater comparability at the cost of a loss of flexibility for the RWBs to develop their own boundaries for service types and allocation procedures. As in many other places, the exact dividing lines between core, intensive, and training services is hard to draw. The state (or federal government) could require more uniform and precise definitions of what constitutes each level of service. In addition, the state would also have to endorse specific cost allocation methods to make the unit cost figures comparable across RWBs. Note that the state already issues guidance on definitions of levels of service and reviews cost allocation procedures used, so the additional steps described here are not required to improve accuracy but to improve comparability across WIBs.

## **CHAPTER 4:**

### **CASE STUDY OF UNIT COST ESTIMATES IN ARKANSAS**

#### **A. Background and Overview of the Arkansas WIA ADW Program**

At the state level, the Arkansas Workforce Investment Board (AWIB) administers the WIA Adult and Dislocated Worker programs. The board and its staff establish state-level policy and procedures and oversee Arkansas' ten (10) local workforce investment boards. However, AWIB has made few policy directives, including essentially providing no state policy concerning which local clients who receive WIA-funded services need to be counted as WIA participants.

At the time of our site visit in March 2004, AWIB staff used a web-based participant data system called the Arkansas Workforce Information System (AWIS), which is used by local areas and their One-Stops to report demographic, program activity, and outcome information on WIA ADW participants to the state board.<sup>20</sup> These data are used in required state reports to ETA. Local boards develop local level policies and procedures, and are staffed by administrative entities/fiscal agents that fund and monitor the local One-Stop operator or operators.

The state workforce board appointed the Arkansas Economic Security Department (AESD) to be the Governor's Administrative Entity for WIA ADW programs.<sup>21</sup> AESD receives the WIA ADW, provides a portion of these funds to AWIB

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<sup>20</sup> In a follow up call to AWIB staff in May 2005, we were informed that AWIS was phased out at the end of 2004 and replaced by another participant data system, Arkansas JobLink, which provides for program management and reporting for both WIA and ES programs.

<sup>21</sup> Effective July 1, 2005, AESD is being renamed the Arkansas Department of Workforce Services.

for its operations, funds the local administrative entities, provides fiscal oversight and monitoring, develops financial reporting requirements, and submits required financial reports to ETA. In summary, state board staff oversees local programmatic operations, including WIA ADW participant reporting. AESD staff oversees financial reporting.<sup>22</sup> AESD also operates the ES program, which is separate in Arkansas from local WIA ADW operations.

In the course of our study, we met with and collected information from AWIB staff, AESD fiscal staff, and program and financial management staff of two local workforce agencies – Hot Springs and Little Rock – along with staff of their respective One-Stop operators. Both local programs had two-layer structures with one organization serving as the administrative entity and the second as One-Stop operator that provides all WIA ADW services except training services, which are directly purchased from training providers.<sup>23</sup>

Both Hot Springs and Little Rock One-Stops exercise considerable discretion over how and when they enroll and exit WIA-registered clients. Hot Springs seeks to enroll as WIA participants only those needing training services. Little Rock has written policy guidance on enrollment that provides for substantial staff discretion in enrolling customers in WIA. Under this policy, core services are available to all center customers with no WIA registration requirements. Both local agencies provide core services using WIA funds to many clients who never become registered participants; indeed neither was

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<sup>22</sup> The two staffs were co-located but as of our visit were in the process of being reorganized/merged. The merger had not been finalized as of May 2005.

<sup>23</sup> The administrative entity in Hot Springs is the West Central Arkansas Planning and Development District. Its One-Stop operator is the West Central Arkansas Career Development Center System. Little Rock's administrative entity is the Little Rock Workforce Investment Board. Its One-Stop is called Arkansas Workforce Center at Little Rock, operated by SERCO, a for-profit provider.

formally enrolling customers as WIA participants until their entry into intensive services.<sup>24</sup>

The Hot Springs and Little Rock programs are substantially separate from other local workforce development programs. Their One-Stops are primarily WIA-funded operations. ES is separately run and housed in these localities. As a result, the costs of providing core services are heavily borne by WIA ADW funds as opposed to being shared with partner programs.<sup>25</sup>

### ***B. Recording and Reporting Service-Level Cost Data in Arkansas***

The first step in estimating unit costs for intensive and training services in Arkansas was obtaining service-level cost data. AESD requires cost reporting by service level for WIA ADW funds from its local areas. After studying the WIA statute and regulations that describe core, intensive and training services, state financial management staff decided that disaggregated cost reporting would be useful, although ETA does not require it as part of its financial reporting.

In developing guidance to local areas, staff tried to reflect WIA's statutory and regulatory framework. Its reporting instructions refer local areas to the WIA statute for definitions of core, intensive, and training services. In addition, AESD provides local workforce agencies a detailed crosswalk of WIA ADW core, intensive, and training *activity descriptions* taken from the state workforce board's AWIS participant reporting

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<sup>24</sup> According to the latest data on program exiters reported to ETA for PY 2002, Little Rock and Hot Springs combined exited only one (1) participant after receiving core-only services.

<sup>25</sup> Hence, unlike other localities that we visited as part of this study, we did not have to understand the details of local resource-sharing agreements that specify how different partners and programs contributed financially to the funding and running of One-Stop centers. Nor did we have to understand the accounting structures of sometimes multiple subcontractors.

system, detailing which activities fit within the core, intensive, and training cost categories. Local areas are required to report their ADW costs monthly to the AESD. In addition to core, intensive, and training cost categories, Arkansas uses a fourth category for WIA ADW program funds – program expenditures by administrative entity – that complicate the interpretation of service-level cost data. This category can be used by local agencies (but not by their One-Stops) to report uses of program funds for certain agency expenditures that are *program-related* (e.g., operation of participant management information systems, program monitoring).<sup>26</sup> Hot Springs and Little Rock allocate costs to training services similarly. Both allocate only tuition payments to training providers to this cost category. No staff time, fringes, or non-staff expenditures other than the training activities defined in the guidance are allocated to training services.

However, the two agencies differ in how they allocate expenditures to core and intensive services. Hot Springs for the most part allocates One-Stop expenditures other than training to these two service categories based on how staff salaries are charged. One-Stop staff use time sheets to charge their time both between the Adult and Dislocated Worker programs and to core and intensive services within each program. Most other non-staff expenditures (e.g., space costs, utilities, building maintenance, and supplies) are allocated using staff salary distributions as a base. To illustrate, the Hot Springs One-Stop Career Center for PY 2002 allocated \$19,408 in salaries to *Adult intensive* services and \$96,205 to *Adult core* services. Thus, 17 percent of total salaries were allocated to Adult intensive and 83 percent to Adult core. These proportions are used to allocate most of the non-staff expenditures to the two services.

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<sup>26</sup> This category is used in addition to the 10 percent of the total WIA allocation that can be charged to the administration cost category. WIA regulations permit these costs to be considered program expenditures.

The Little Rock One-Stop uses time sheets as the basis of allocating expenditures *between* its Adult and Dislocated Worker programs, but it does not use them to allocate costs by service level *within* the programs. Rather, it pools total expenditures on core and intensive activities for each program and allocates them monthly based on the relative number of *customers* receiving core and intensive services. The count of core service customers is based on a log kept by the One-Stop receptionist, not on those actually registered as WIA participants.

Finally, the two local agencies also differ in that Hot Springs allocates the WIA *program* funds it expends in performing oversight and monitoring to the fourth cost category of program expenditures by administrative entity. The Little Rock agency does not; it allocates local agency expenditures for similar purposes to the core, intensive, and training cost categories, based on the relative allocation of funds to these categories by its One-Stop operator.<sup>27</sup>

Exhibits 4-1 and 4-2 present costs by service level for Hot Springs, Little Rock, and for Arkansas as a whole for WIA ADW programs for PY 2002. Both local sites and the state allocate substantial proportions of their WIA expenditures to core services. However, the proportion allocated to core services for both Adult and Dislocated Worker services is much higher in Hot Springs than in Little Rock, perhaps reflecting the differences in methodology for allocating shared costs for core and intensive services between the two sites.

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<sup>27</sup> This is a small exception to the general statement above that only direct training expenditures are allocated to the training cost category.

**EXHIBIT 4-1: UNIT COST ESTIMATES, ARKANSAS, WIA ADULT PROGRAM (PY 2002)**

Arkansas Workforce Area	Expenditures			Participation			Unit Costs		
	Core	Intensive	Training	Core	Intensive	Training	Core	Intensive	Training
Hot Springs	\$231,396	\$65,476	\$169,230	146	144	110	\$1,585	\$455	\$1,538
Little Rock	\$98,943	\$147,705	\$15,081	100	98	51	\$989	\$1,507	\$296
State Total	\$1,736,221	\$2,221,675	\$3,680,045	3,770	3,541	2,430	\$461	\$627	\$1,514

Note: Expenditure data provided by the Arkansas Employment Security Department (AESD) and participation data by the Arkansas Workforce Investment Board (AWIB). Unit costs were developed based on these data. Program expenditures exclude \$32,365 in program expenditures by the administrative entity in Hot Springs and \$322,467 for the state as a whole.

**EXHIBIT 4-2: UNIT COST ESTIMATES, ARKANSAS, WIA DISLOCATED WORKER PROGRAM (PY 2002)**

Arkansas Workforce Area	Expenditures			Participation			Unit Costs		
	Core	Intensive	Training	Core	Intensive	Training	Core	Intensive	Training
Hot Springs	\$155,974	\$36,055	\$153,498	119	118	85	\$1,311	\$306	\$1,806
Little Rock	\$100,706	\$108,244	\$14,459	75	74	38	\$1,343	\$1,463	\$381
State Total	\$934,559	\$1,036,456	\$1,159,796	1,688	1,665	1,094	\$554	\$622	\$1,060

Note: Expenditure data provided by the Arkansas Employment Security Department (AESD) and participation data by the Arkansas Workforce Investment Board (AWIB). Unit costs were developed based on these data. Program expenditures exclude \$20,075 in program expenditures by the administrative entity in Hot Springs and \$226,955 for the state as a whole.

Considering training services only, Hot Springs and local workforce agencies in the state as a whole report a much higher fraction of expenditures on training costs than does Little Rock, both for the Adult and Dislocated Worker programs. Little Rock's expenditures for training services were relatively low because a different One-Stop contractor had overspent its WIA funds and was very limited in funds available for training. The workforce area was reorganized early in the PY 2002, with both a new local administrative entity and a new One-Stop operator put in place. In subsequent program years, the amounts spent on training have increased substantially and the local workforce agency has budgeted over \$300,000 for the upcoming program year.<sup>28</sup>

In summary, with respect to service-level cost data, AWSO established a WIA ADW financial reporting system that captures these data from its local workforce areas. In supplying service-level cost data, Hot Springs and Little Rock allocated training costs in the same manner but allocated expenditures to the core and intensive service levels differently. Hot Springs based allocations for both labor and non-labor costs on staff time charges while Little Rock used participant counts that included customers who received core services but who were not registered in WIA. Arkansas is different from other state financial reporting systems we examined in establishing a fourth cost category, program expenditures by administrative entity, that Hot Springs uses but Little Rock does not. These differences complicate interpretation of Arkansas ADW cost data.

Finally, we learned in interviews with state staff, that the state staff has made only limited use of the service-level cost information reported by local workforce areas. The state board publishes cost data by service level in a special table, "Average Cost per

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<sup>28</sup> Communication with Stephen Wagner, Executive Director, Little Rock Workforce Board, June 2005.

Service Provided” in their WIA Annual Reports. However, it has not made use of this information in overseeing its local areas. At one point, board members wanted estimates of the cost per participant by service category. Staff were stymied because they did not have good participation data for core activities (i.e., counts of core customers who were not counted as WIA participants).

***C. Recording and Reporting Service-Level Participation Data in Arkansas***

In order to estimate unit costs from these cost data, we need estimates of the numbers of WIA ADW participants for Arkansas who received core, intensive, and training services during PY 2002. As mentioned earlier, the Arkansas workforce board used AWIS, a web-based participant data system. During our site visit, we established that it captured detailed information on activities/services received and the dates of receipt – coded by core, intensive, and training – for each participant registered in WIA. However, AWIS does not incorporate an algorithm that reports the total number of participants by service level. Instead, it reports the number of services and has a special table “Average Cost Per Service Provided” in its WIA Annual Reports. For PY 2002, for example, Arkansas reported that WIA Adults were provided 10,080 individual intensive services at a cost of \$230 per service. Cost per participant could be derived from this estimate if we knew how many times participants received services at each level.

Based on our understanding from the site visit of the individual data items contained in AWIS, it appeared possible that these data on individual activities/services could be aggregated to report the number of participants by service level. At our request, AWIB staff arranged for a special data run that produced such a report. In this data run,

the relative distribution of ADW participants across core, intensive and training categories – both for the state as a whole and for local areas – seemed reasonable,<sup>29</sup> but the total number of both Adult and Dislocated Worker participants exceeded the number that the state submitted to ETA in final annual performance reporting for PY 2002.

AWIB staff were not able to give us supporting documentation of the results because they had to rely on the state's central MIS office to prepare the report, and suggested that we decide how to adjust the results to conform to these totals. To illustrate, the total number of Adult participants reported to ETA for PY 2002 was 3,770, while the total in the special run was 4,012. The difference was much greater for dislocated workers – 1,688 reported to ETA versus 2,388 in the special run. We decided to adjust proportionally downward the service-level estimates from the special run so that the estimates would conform to these control totals.<sup>30</sup>

Exhibits 4-1 and 4-2 (shown earlier) present estimates – derived from these adjusted participant data – of the number of participants receiving core, intensive, and training services for Hot Springs, Little Rock and for Arkansas as a whole for WIA ADW programs for PY 2002. Hot Springs served a substantially larger number of intensive and training participants than did Little Rock.

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<sup>29</sup> Specifically, the distribution of participants was broadly consistent with the pattern of program exiters across service levels.

<sup>30</sup> We adjusted downward the number of Adult participants who received intensive services from 3,768 to 3,541, and number of training participants from 2,586 to 2,430. The corresponding adjustments for dislocated-worker participants who received intensive services were from 2,356 to 1,665 and for training participants from 1,547 to 1,094. This ensured that the adjusted estimates of those who received intensive and training services conformed to the control totals.

***D. Estimates of Unit Costs for ADW Intensive, and Training Services***

Exhibits 4-1 and 4-2 (shown earlier) combine estimates of cost and participants to present estimates of unit costs for core, intensive and training services in Hot Springs, Little Rock, and for Arkansas as a whole for PY 2002. Unit costs for intensive services are relatively high both for Adult and Dislocated Workers in Little Rock, compared to Hot Springs and the state as a whole. This reflects both comparatively high expenditures on intensive services by Little Rock and a relatively smaller number of participants. Little Rock also had very low unit costs for training services, compared both to Hot Springs and to the state as a whole, for reasons covered earlier.

***E. Conclusions/Key Findings/Limitations of Methodology Employed***

***Estimating costs by service level.*** The relatively clear guidance and reporting requirements for service-level cost reporting that Arkansas established greatly facilitated obtaining disaggregated cost data for the two localities we visited in Arkansas and for the state as a whole. In particular, training costs were allocated consistently in the two sites we visited. However, Hot Springs and Little Rock allocated costs to ADW core and intensive services differently. This leads to difficulty in interpreting whether major differences in costs and unit costs for intensive services in the two sites reflect different program emphases or simply differences in allocation method. Finally, Arkansas allows (but does not mandate) use of a fourth ADW program cost category – program expenditures by administrative entity. To get consistent cost data, all local agencies should use it or none should. Hot Springs used this fourth category of administrative

costs, while Little Rock did not – adding to difficulties in assessing the comparability of unit costs for intensive and training services across the two localities.

***Estimating participants by service level.*** Because AWIS routinely did not report counts of the number of participants by service level, we requested a special data run to obtain these participant numbers. That run produced what seemed to be a reasonable proportional distribution of participants by service level, as confirmed by a similar distribution for program exiters, but resulted in a total number of participants that exceeded control totals for participants reported by the state to ETA. We therefore adjusted the service-level estimates downward by a uniform ratio. It would clearly have been preferable to be able to use participant numbers that were generated by a routine state report from AWIS. We were not able to determine why such a report could not be obtained.

***Usefulness of information.*** Arkansas did not use the disaggregated cost information other than publish it in its WIA annual report. While it reported one unit cost – a cost per service – it did not combine cost and participant data to prepare unit cost estimates over the program year.

***Effort required to make cost and participant estimates.*** Since the cost data were reported to the state based on clear guidance concerning cost categories, it was not a great deal of work to develop the estimates. It was more work to understand how the cost data were generated at the local level, particularly differences in how core and intensive costs were allocated across the two sites. We also had to be careful to capture from AESD all the program dollars expended on ADW services in a given program year to ensure that our counts of costs and participants are complete. The first cost data we received from

the state contained only part of the funds expended during PY 2002. If we had used these data, it would have resulted in estimates of unit costs that were too large. Considering participant information, we had to request a special run to estimate numbers of participants who received intensive and training services and consider how to adjust these estimates in the absence of documentation and when they failed to conform to control totals for participants as reported to ETA.

*What needs to be done to make the estimates truly valid and reliable?* It would have been helpful to have had a more comparable methodology in Hot Springs and Little Rock for how expenditures are allocated between core and intensive services. Also, it would increase the interpretability of the cost information to eliminate the fourth cost category and have local workforce agencies allocate these costs to core, intensive, and training services. Finally, it would have been helpful if Arkansas had developed a participant data system that accurately reports number of participants receiving different level of service that are consistent with control totals reported to ETA.

## **CHAPTER 5:**

### **CASE STUDY OF UNIT COST ESTIMATES IN PITTSBURGH, PA AND RAMSEY COUNTY, MN**

#### **A. *Background and Overview of the Pittsburgh and Ramsey County WIA ADW Programs***

As we indicated in Chapter 1, in addition to the three state case studies, we secured the cooperation of WIBs in two localities – Pittsburgh, Pennsylvania and Ramsey County, Minnesota – located in states that do not require collection and reporting of service-level cost information. Project staff conducted site visits and, working with local agency program and financial staff, were successful in producing cost and unit cost estimates for intensive and training services in these two localities.

The primary purpose was to test whether it was possible to adapt the Arkansas cost methodology (i.e., the state’s cost category guidelines and the cost allocation procedures used in Hot Springs), in conjunction with disaggregated participant data if available, to obtain unit cost estimates from local WIBs that were not required to record and report service-level cost information.<sup>31</sup> As it turned out, both workforce areas were located in states that did have systems to obtain and report participants receiving intensive and training services.

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<sup>31</sup> We applied the Arkansas cost methodology because: (1) the state had developed clear guidance for which specific program activities fit within the three main cost categories (i.e., core, intensive, and training) that could be used in categorizing costs in the two local areas; and (2) data collection had been completed in Arkansas – but not in Michigan and Florida – at the time the local site visits were initiated in Pittsburgh and Ramsey County (so we could not use the latter two states’ case study approaches). However, we did not use Arkansas’ fourth cost category – program expenditures by administrative entity. We allocated all costs to the core, intensive, and training categories

It was anticipated that adapting and testing the Arkansas methodology in a couple of localities would be useful in providing ETA with additional examples of the challenges and feasibility of implementing cost categories and performing allocation of shared costs at the local level. Further, such an effort had the potential of providing guidance to local WIBs that may want to make their own cost and unit cost estimates by service category regardless of whether such financial reporting might be required by their states and ETA in the future.

***1. Background and Overview of the City of Pittsburgh WIA ADW Program***

The City of Pittsburgh is the administrative entity and fiscal agent for the local WIA ADW program. Pittsburgh and a parallel local workforce agency in Allegheny County are overseen by a single WIB, the Three Rivers Workforce Investment Board. Pittsburgh partners with Allegheny County in funding and operating One-Stop Career Centers, called CareerLink, that operate in three locations in the city and county. The intake point for clients who receive ADW intensive and training services provided by Pittsburgh is the CareerLink that is located in the city itself.

We obtained a copy of the Resource Sharing Agreement Budget for PY 2004 for the Pittsburgh CareerLink. The major funding sources to support core services are state ES funds and city and county WIA ADW funds. The shared costs of operating the Pittsburgh CareerLink (e.g., rent and salary/fringes of center director) are allocated based on FTE staff furnished by the partners.

All customers are eligible for services in CareerLink on walk-in basis. Clients are first taken through the core services. Pittsburgh staff noted that one way of describing service flow is that those who “fail” with core services get “bumped up” to intensive

and/or training services. However, customers do not become registered in WIA until they get to the part of the CareerLink process that is managed by Pittsburgh's Intensive/Training Supervisor. They are then evaluated for eligibility and suitability. All registered WIA ADW participants in Pittsburgh receive intensive services; there are almost no core-only participants in Pittsburgh, Allegheny County, or the state as a whole.

We were provided with a CareerLink customer flow chart. It lays out the processes, staff, and paper/electronic tracking. It shows that intensive services begin with eligibility determination, objective assessment and referral to enrollment into intensive services, followed (for some customers) by development and implementation of ITAs. One major feature of the Pittsburgh Adult program is the extensive use of special purpose contracts issued through RFPs to provide stand-alone intensive services to hard-to-employ populations (e.g., ex-offenders).

This was very different from Arkansas where the structures of the local Adult and Dislocated Worker programs were very similar and there were no separate special-purpose contractors for stand-alone intensive services. In the Pittsburgh Dislocated Worker program, by contrast, we found the same heavy emphasis that we found in other states and sites on tuition payments for ITAs from a variety of training vendors.

## ***2. Background and Overview of the Ramsey County WIA ADW Program***

Ramsey County, Minnesota is the administrative entity and fiscal agent for the local WIA ADW program. It is operated by a county department, Workforce Solutions (WS). The federally-funded Dislocated Worker program core and intensive service activities are carried out by in-house staff, whereas about 60% of similar Adult program

functions are handled by two subcontractors.<sup>32</sup> The ADW programs are part of a larger One-Stop operation, Minnesota WorkForce Centers, whose operations in Ramsey County are partially funded by other partners (Wagner-Peyser – 35%, Voc Rehab – 20%, county funds 5%, and state Dislocated Worker program funds – 10%). There are three WorkForce Centers in Ramsey County, two of which serve WIA ADW clients.

The Workforce Solutions WIA Adult program design involves a thorough but informal pre-assessment process that takes place in the One-Stops; clients receive a menu of group-oriented core services. After orientation and use of the resource room, clients are involved primarily in group activities (e.g., workshops on job search and interviewing) until staff learn which clients are likely to need and succeed in intensive and training services. Generally, Adult participants go through a six- to eight-week process of pre-assessment and group activities before being registered as WIA participants.

The WIA Dislocated Worker program, with more specific eligibility requirements, has a somewhat different intake process. It typically starts with a scheduled three-hour orientation process that is followed by the client going into group settings for staff-assisted job search and informal assessment. Flow into the Adult program is made on a day-to-day basis as clients visit the One-Stop Centers, initially receiving universal services.

Because they also have a state Dislocated Worker program with less stringent performance standards, Workforce Solutions tends to enroll clients into the federal Dislocated Worker program when there is a likelihood of greater wage replacement, such

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<sup>32</sup> Ramsey County also has a state-funded Dislocated Worker program that has less stringent performance standards than does the federal Dislocated Worker program. They do use vendors to deliver services under this program.

as displaced homemakers and those whose pre-layoff wage will most likely be secured in a re-employment opportunity, with some skill upgrades as appropriate.

In summary, Workforce Solutions' clients are counted as participants in WIA ADW services only after an extensive pre-assessment process in the One-Stops to ensure a strong likelihood of success in intensive and/or and training services. Workforce Solutions has essentially no core-only Dislocated Worker and Adult registered participants, although it expends substantial WIA resources on core services.

Intensive services include development of an Individual Employment Plan (IEP), short-term pre-vocational training, and case management. Training services primarily include classroom occupational and academic skills training. Many WIA ADW participants in Ramsey County receive intensive services only that lead to employment without academic or occupational training (e.g., job search, job placement, short-term pre-vocational services, work experience), while for others, intensive services provide staff services (e.g., career counseling, individual plan development) that facilitate and support the training services.

***B. Recording and Reporting Service-Level Cost Data in Pittsburgh and Ramsey County***

Both Pennsylvania and Minnesota require local workforce areas to report only a single line amount for WIA program expenditures. Separate reports are required for Adult and Dislocated Worker services. Therefore, to pursue our goal of applying the Arkansas methodology to allocate costs, we worked extensively with Pittsburgh and Ramsey County program and financial staff to reach a mutually agreed to allocation of

ADW program expenditures for one program year (PY 2002 in Pittsburgh, PY 2003 in Ramsey County) to the core, intensive, and training categories.

We started by identifying the major functional expenditure line items in both localities that required allocation to service-level cost categories: staff wages/fringes, general overhead (e.g., space costs, equipment), a special cost pool for shared costs of the Pittsburgh CareerLink (e.g., rent, salary/fringes of center director), classroom training, support services, service subcontracts, and work experience. In both sites, as in Arkansas, we charged tuition payments to providers of *classroom training* directly to training services and directly charged *support services* and *work experience* (provided in Ramsey County only) to intensive services. In Pittsburgh, we also directly charged the contracts for services to hard-to-employ populations to intensive services. Ramsey County Adult-service contractors had shared costs between core and intensive services, so they required allocation to both cost categories (see below).

We then allocated agency staff wages and fringes between core and intensive services by mutual agreement with local agency program and financial staff. Both sites used quarterly time studies as the basis for allocating these costs between Adult and Dislocated Worker services. In the absence of time studies at the service level, we asked program and fiscal staff at both sites to use their knowledge of program operations to make a judgmental allocation of *staff wages/fringe benefits* to core and intensive services. In effect, we simulated the allocation that a more detailed time study would have yielded if it had been used.

Next, we allocated general or overhead expenses to core and intensive services based on the allocation of staff wage /fringe benefit expenditures. In Pittsburgh, we also

allocated shared expenses in the separate cost pool for CareerLink based on how we allocated staff wages and fringes. Finally, we allocated subcontractor expenditures in Ramsey County by following the same rules that we applied to in-house staff and non-staff expenditures.

In summary, after first allocating those costs that could be directly charged, shared costs in both Pittsburgh and Ramsey County were allocated between core and intensive services based on relative allocations of labor costs (salary and fringes). Exhibits 5-1 and 5-2 present estimated costs by service level for Pittsburgh and Ramsey County for their WIA ADW programs for PY 2002 and PY 2003, respectively. For Adult services, 20 to 25 percent of expenditures across both sites were allocated to core services. More than 60 percent of Adult expenditures were allocated to intensive services in both sites, reflecting a strong emphasis on stand-alone intensive-service programs for adults that we did not find in other sites. Only about 20% of Adult service costs were allocated to training in Pittsburgh and only 6% in Ramsey County, both low in comparison to other states and sites. For Dislocated Worker services, Pittsburgh allocated a much higher percentage to training services and a much lower percentage to intensive services than did Ramsey County. Across both sites, a substantially higher percentage of WIA Dislocated Worker funds than Adult funds were expended on training services.

**EXHIBIT 5-1: UNIT COST ESTIMATES, PITTSBURGH (FOR PY 2002) AND RAMSEY COUNTY (FOR PY 2003),  
WIA ADULT PROGRAM**

Workforce Investment Area	Expenditures			Participation			Unit Costs		
	Core	Intensive	Training	Core	Intensive	Training	Core	Intensive	Training
City of Pittsburgh, PA	\$191,361	\$569,266	\$195,097	205	205	63	\$933	\$2,777	\$3,097
Ramsey County, MN	\$158,294	\$416,826	\$38,016	193	176	85	\$820	\$2,368	\$447

Note: Expenditure data provided by the local workforce agencies for each locality. Participation data provided by the State of Pennsylvania and by Ramsey County. Unit costs were developed based on these data. Pittsburgh data are for PY 2002; Ramsey County data are for PY 2003.

**EXHIBIT 5-2: UNIT COST ESTIMATES, PITTSBURGH (FOR PY 2002) AND RAMSEY COUNTY (FOR PY 2003),  
WIA DISLOCATED WORKER PROGRAM (PY 2002)**

Workforce Investment Area	Expenditures			Participation			Unit Costs		
	Core	Intensive	Training	Core	Intensive	Training	Core	Intensive	Training
City of Pittsburgh, PA	\$279,882	\$275,622	\$239,452	176	171	104	\$1,590	\$1,612	\$2,302
Ramsey County, MN	\$60,577	\$316,709	\$129,898	236	236	65	\$257	\$1,342	\$1,998

Note: Expenditure data provided by the local workforce agencies for each locality. Participation data provided by the State of Pennsylvania and by Ramsey County. Unit costs were developed based on these data. Pittsburgh data are for PY 2002; Ramsey County data are for PY 2003.

***C. Recording and Reporting Service-Level Participation Data in Pittsburgh and Ramsey County***

For Pittsburgh, we obtained participant data by service level from the State of Pennsylvania. Ramsey County supplied reports from their in-house participant data system. As might be expected, the Adult programs in both sites served a substantial number of participants who received intensive services only since both programs allocated a large fraction of their resources to stand-alone intensive services.

***D. Estimates of Unit Costs for ADW Intensive and Training Services***

Exhibit 5-1 and 5-2 combine estimates of costs and participants to present estimates of unit costs for intensive and training services in Ramsey County. In both sites, unit costs for Adult intensive services were high compared to other states and sites. This reflected the emphasis of both programs on stand-alone intensive services provided by contractors for their Adult participants. Unit costs for training services across sites and programs were also relatively high, except that estimated unit costs for Adult training services for Ramsey County were very low, less than \$500.

***E. Conclusions/Key Findings/Limitations of Methodology Employed***

***Estimating costs and participants by service level.*** We were generally successful in applying the Arkansas methodology in allocating WIA ADW costs in Pittsburgh and Ramsey County. We were fortunate to be able to rely on detailed expenditure reporting by the two Adult service contractors in Ramsey County that might not be available in other sites. Both Pittsburgh and Ramsey County program and financial staff were extremely helpful in allocating agency salaries and fringes to ADW core and intensive

services. However, these estimates are heavily contingent on the appropriateness of the Arkansas methodology, which defines the training cost category narrowly.

*Effort required to make unit cost estimates.* Of necessity, we began with expenditure information as it was recorded in the Pittsburgh and Ramsey County financial management systems in functional categories and in contractor invoices. It required considerable fieldwork to obtain the final allocations, including a two-day site visit by two staff to Ramsey County and a number of telephone and e-mail exchanges with both sites. Both the relatively great effort needed to obtain the estimates and the degree to which interpretations of the results are dependent on the assumptions underlying them point to the importance of having clear and consistent national-level guidance in place for the development and reporting of cost data. It is difficult to allocate costs after the fact and without a clear foundation in local financial management systems. In the absence of ETA guidance and reporting systems concerning the definition of cost categories and allocation methods for shared costs, estimating service-level costs – and unit costs – is an uncertain enterprise.

*What needs to be done to make the estimates truly valid and reliable?* The validity of the cost category estimates we obtained – and therefore, the estimates of unit cost – are directly related to the appropriateness of the Arkansas methodology. The Arkansas definition of training services simplified developing estimates of training costs, but it does not have a firm foundation in an ETA defined cost category.

We would have obtained different results if we had applied the Florida cost categories, particularly Florida's expanded definition of what are considered training services that in some sites include agency and contractor staff time and overhead

expenditures. The same would have been true if we had used the broad training cost category used by Capital Area in Michigan. In addition, our allocation of Pittsburgh and Ramsey County staff salary expenses to core and intensive services was admittedly after the fact, based on applying expert approximations rather than by use of a contemporaneous time study. These local case studies thus reinforce a key finding of the state case studies – that reliable and valid cost and unit cost estimates by service level require a foundation in clear cost categories and cost allocation methods, as well a participant-based reporting system that reports accurate counts of participants by service level. We were fortunate that both Pennsylvania and Minnesota had such participant data available for the two sites we visited.

## **CHAPTER 6:**

### **FINDINGS, CONCLUSIONS AND RECOMMENDATIONS**

#### **A. *Background and Overview***

In this chapter, we synthesize information from our case studies of Arkansas, Michigan, and Florida to develop overall findings, conclusions and recommendations.<sup>33</sup> Although the states' financial and participant reporting systems differ, we were able to use cost and participant information reported to all three states by their local workforce areas to estimate intensive and training unit costs for WIA ADW programs for the states and for each of the local workforce areas in Florida and Michigan.<sup>34</sup> By visiting six localities in the three states, we were able to observe how local workforce areas operated within the framework of state-defined service-level cost categories to allocate their detailed expenditures. Finally, we were also able to apply the Arkansas cost methodology to generate unit cost estimates in two other local workforce areas, Pittsburgh and Ramsey County.

#### **B. *Description and Analysis of Unit Costs***

Exhibit 6-1 presents summary information on costs, participants, and unit costs for intensive and training services for the WIA Adult program in our three case study

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<sup>33</sup> We also add information as appropriate from our local case studies of Pittsburgh and Ramsey County.

<sup>34</sup> In Arkansas, because the state does not routinely report service-level participant information, we only made estimates using adjusted service-level participant estimates for the two local areas we visited and for the state as a whole.

**EXHIBIT 6-1: UNIT COST ESTIMATES; ARKANSAS, FLORIDA, AND MICHIGAN, WIA ADULT PROGRAM  
(PY 2002/2003)**

Training Definition	State/Workforce Investment Area	Expenditures			Participation			Unit Costs		
		Core	Intensive	Training	Core	Intensive	Training	Core	Intensive	Training
	<b>Michigan (PY 2003)</b>									
Broad	Capital Area	\$316,987	\$175,627	\$207,810	473	255	124	\$670	\$689	\$1,676
Narrow	Kalamazoo-St. Joseph	\$26,098	\$392,071	\$156,501	292	292	188	\$89	\$1,343	\$832
Mixed	*State Total	\$8,312,499	\$7,320,138	\$13,106,196	13,080	10,192	5,110	\$636	\$718	\$2,565
	*% of State Total	28.9%	25.5%	45.6%						
	<b>Florida (PY 2003)</b>									
Broad	Region 8	\$625,702	\$355,031	\$1,176,055	1,822	1,836	1,774	\$343	\$193	\$663
Broad	Region 9	\$162,501	\$26,230	\$323,551	317	161	158	\$513	\$163	\$2,048
Mixed	*State Total	\$7,751,389	\$7,691,095	\$23,416,368	23,647	20,078	17,341	\$328	\$383	\$1,350
	*% of State Total	19.9%	19.8%	60.3%						
	<b>Arkansas (PY 2002)</b>									
Narrow	Hot Springs	\$231,396	\$65,476	\$169,230	146	144	110	\$1,585	\$455	\$1,538
Narrow	Little Rock	\$98,943	\$147,705	\$15,081	100	98	51	\$989	\$1,507	\$296
Narrow	*State Total	\$1,736,221	\$2,221,675	\$3,680,045	3,770	3,541	2,430	\$461	\$627	\$1,514
	*% of State Total	22.8%	29.1%	48.2%						

Note: Expenditure and participation data provided by the Michigan Department of Career Development, the Florida Agency for Workforce Innovation and the Arkansas Employment Security Department and the Arkansas Workforce Investment Board. In Arkansas, program cost excludes \$32,365 in program expenditures by the administrative entity in Hot Springs and \$322,467 for the state as a whole. In all three states, many recipients of core services are not counted because they are not registered as WIA participants. Registration happens relatively late in the service process and in includes relatively few core-only participants. Also, many core recipients receive services paid for by other fund sources. Hence, unit costs of core services estimated only from WIA cost and participant information lack usefulness for program and policy purposes.

**EXHIBIT 6-2: UNIT COST ESTIMATES; ARKANSAS, FLORIDA, AND MICHIGAN, WIA DISLOCATED  
WORKER PROGRAM (PY 2002/2003)**

Training Definition	State/Workforce Investment Area	Expenditures			Participation			Unit Costs		
		Core	Intensive	Training	Core	Intensive	Training	Core	Intensive	Training
	<b>Michigan (PY 2003)</b>									
Broad	Capital Area	\$62,182	\$188,924	\$264,189	262	261	171	\$237	\$724	\$1,545
Narrow	Kalamazoo-St. Joseph	\$33,781	\$449,097	\$149,271	314	314	166	\$108	\$1,430	\$899
Mixed	*State Total	\$9,262,722	\$7,882,660	\$11,794,937	10,732	9,283	5,782	\$863	\$849	\$2,040
	*% of State Total	32.0%	27.2%	40.8%						
	<b>Florida (PY 2003)</b>									
Broad	Region 8	\$398,904	\$316,934	\$1,198,908	810	810	701	\$492	\$391	\$1,710
Broad	Region 9	\$79,304	\$10,207	\$181,613	51	39	40	\$1,555	\$262	\$4,540
Mixed	*State Total	\$8,740,329	\$10,168,568	\$15,590,090	12,941	11,905	9,568	\$675	\$854	\$1,629
	*% of State Total	25.3%	29.5%	45.2%						
	<b>Arkansas (PY 2002)</b>									
Narrow	Hot Springs	\$155,974	\$36,055	\$153,498	119	118	85	\$1,311	\$306	\$1,806
Narrow	Little Rock	\$100,706	\$108,244	\$14,459	75	74	38	\$1,343	\$1,463	\$381
Narrow	*State Total	\$934,559	\$1,036,456	\$1,159,796	1,688	1,665	1,094	\$554	\$622	\$1,060
	*% of State Total	29.9%	33.1%	37.0%						

Note: Expenditure and participation data provided by the Michigan Department of Career Development, the Florida Agency for Workforce Innovation and the Arkansas Employment Security Department and the Arkansas Workforce Investment Board. In Arkansas, program cost excludes \$20,075 in program expenditures by the administrative entity in Hot Springs and \$226,955 for the state as a whole. In all three states, many recipients of core services are not counted because they are not registered as WIA participants. Registration happens relatively late in the service process and in includes relatively few core-only participants. Hence, unit costs of core services estimated only from WIA cost and participant information lack usefulness for program and policy purposes.

states.<sup>35</sup> Exhibit 6-2 contains parallel information for dislocated workers. The unit cost estimates for Michigan, Florida, and Arkansas varied substantially for both the Adult and Dislocated Worker programs, reflecting both real differences in unit costs, but also differences in cost categorization and allocation methodologies across states and local workforce areas. Nevertheless, they do yield major insights about patterns of costs, numbers of participants, and unit costs for WIA ADW intensive and training services. They are probably useful as ballpark estimates of how WIA ADW expenditures are allocated across the intensive and training categories.

For the WIA Adult program, estimates of unit costs for intensive services ranged across the six local sites from about \$150 to \$1,500. Unit costs were the highest in Little Rock and Kalamazoo, the former reflecting a relatively small number of WIA-registered participants and the latter because it allocates relatively few costs to core services and uses a narrow definition of training costs, leaving most costs to be allocated to intensive services.<sup>36</sup> The lowest intensive service unit costs were in the two local sites in Florida – the state that mandates that local WIBs expend at least 50 percent of WIA ADW funds on training services.

For Adult training services, the unit cost range was from about \$300 to over \$2,000, with the highest unit costs in Florida’s Region 9 (Gainesville), the site that has the lowest intensive unit costs. Florida WIBs spent 60 percent of Adult costs on training

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<sup>35</sup> For context, we also present information on core costs, participants, and unit costs. As we have documented in the case studies, other programs, particularly Wagner-Peyser, share many of the costs of serving WIA core participants and participant counts based on WIA ADW data do not include many One-Stop customers who receive only core services. Hence, unit costs of core services estimated only from WIA cost and participant information lack usefulness for program and policy purposes.

<sup>36</sup> Although not shown, unit costs for Adult intensive services were even higher in Pittsburgh and Ramsey County, reflecting emphasis on stand-alone intensive services for many hard-to-employ participants (see Exhibit 5-1).

services, the highest percentage by far of the three states; again, this is not surprising because Florida statute requires that at least 50 percent of Adult and Dislocated Worker WIA funds combined be spent on training.

The pattern for the WIA Dislocated Worker program was similar. The range of unit costs for *intensive services* was from about \$300 to \$1,500. The lowest unit cost sites were in Florida and Hot Springs, states and sites that place heavy emphasis on training and rely on intensive services primarily as a pathway to training rather than as a stand-alone alternative. For Dislocated Worker training services, the range was from less than \$400 to \$4,500. The lowest unit cost site was Little Rock. It spent very little on training services (less than \$15,000 total in PY 2002), although reporting that training expenditures have increased substantially in subsequent program years under a new One-Stop operator. The highest unit cost site (Gainesville) allocated a relatively high percentage of its Dislocated Worker costs to training (63%), but relatively few participants received these services.

Comparing state averages, unit costs for intensive services for both Adult and Dislocated Workers were very similar (the exception was relatively low unit costs for Florida dislocated workers). The state-average unit costs for training services were highest in Michigan and local-area unit training costs were also high in Pittsburgh both for Adult and Dislocated Workers.<sup>37</sup>

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<sup>37</sup> Florida allocated the highest percentage of both its Adult and Dislocated Worker costs to training, but reported training many more participants than did Michigan, thus driving unit costs down.

### *C. Differences in Cost Category Methodologies*

Whether training costs were defined broadly (e.g., Florida and Capital Area in Michigan) or narrowly (e.g., Arkansas and Kalamazoo in Michigan) was strongly associated with differences in unit costs. Moreover, how training costs were defined also directly affected intensive service costs, as there was a direct tradeoff between the two categories.

Arkansas uses a narrow definition of training services. The two local areas we visited in Arkansas use the state definition consistently. The state's guidance and reporting procedures counted as training only direct expenditures through payments to training providers, primarily for occupational skills training by public training providers. Of the three states, Arkansas' unit costs for training were the lowest if averaged across both Adults and Dislocated Workers and appears related to the state's narrow definition of training services.

In its cost category guidance, Florida appears to define training costs similarly to Arkansas, but in fact allows its regions to include and report training costs based on how they do business. The two regions that we visited, Gainesville and Jacksonville, appear to use a broad definition of training costs because they report spending substantially more WIA ADW funds on training than they report spending on ITAs. On the other hand, a few Florida regions allocated no additional costs to training beyond their ITA expenditures.<sup>38</sup>

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<sup>38</sup> Florida was the only state to require its regions to report WIA training costs in two separate cost categories, expenditures on ITAs and total training expenditures. Customized training and OJTs are to be reported as part of the second category. Jacksonville's share of ITA expenditures to total training expenditures was 58 percent for the WIA Adult program and 66 percent for dislocated workers. For Gainesville, the percentages were even smaller, 36 percent and 29

Michigan does not specify a state definition of training costs. The state allows local areas interpret of WIA regulations in determining how training costs are defined and reported. The two local areas we visited defined training costs differently. Kalamazoo uses a narrow definition that includes only ITAs and OJTs, similar to Arkansas, while Lansing used a broad definition that includes some contractor expenditures on case management, similar to many regions in Florida.

In summary, three localities (Hot Springs, Little Rock, and Kalamazoo) in our case study states counted as training costs only expenditures on direct training (e.g., payments to training providers). The three others (Lansing, Jacksonville, and Gainesville) included a variety of other staff and non-staff expenditures used to facilitate or support training (e.g., case management and development of career plans for participants enrolled in training) in training costs. Moreover, differences in how training costs were categorized directly affected what costs were considered to be intensive services.

#### ***D. Differences in Cost Allocation Methodologies***

Within the case study states, local agencies also use different methodologies to allocate detailed functional expenditures (e.g., salaries/fringes) to the cost categories of core, intensive, and training services. Beyond differences in cost category definitions, use of different bases for cost allocation of shared or joint costs adds complexity to the interpretation of cost and unit cost data. Generally, localities directly charge expenditures that apply to only one cost category. Typically, these were direct training costs (ITAs,

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percent respectively. For the state as a whole, the ITA share of the total training expenditures was 74 percent for adults and 64 percent for dislocated workers.

OJTs, customized training) and support services in those states and localities that categorized all support services as intensive services (Florida allows support services to be allocated across all three cost categories).

However, most WIA ADW expenditures involved shared costs, i.e., they benefited more than one of the cost categories. All three states allow local workforce areas flexibility in initially pooling shared costs and then subsequently allocating them to the core, intensive, or training category. The basis for these allocations differ, most commonly using either relative measures of labor costs (e.g., salaries/fringes or numbers of full-time equivalent staff) or relative numbers of participants receiving core, intensive, and training services.

We found that allocation of shared costs is a very complex process in a One-Stop program environment, particularly in Florida where WIA ADW expenditures are only a small proportion of Regional Workforce Board spending. In general, local workforce agencies and their One-Stops first pool and allocate shared costs to different programs (e.g., TANF, WIA ADW, and WIA Youth) and then subsequently perform a second-level allocation to service levels within their Adult and Dislocated Worker programs.

In some local areas (e.g., Capital Area), we were not able to determine fully the allocation methods used by multiple sub-grantees to the local workforce agency. Capital Area used six subcontractors to provide WIA ADW core, intensive, and training services. Most of them needed to allocate shared costs, and they used different allocation methods. ETA's and OMB's preferred method for reviewing and monitoring cost allocation was through the use of cost allocation plans. However, Florida was the only state we visited

that required cost allocation plans from its Regional Workforce Boards and reviewed them.

In summary, differences in cost allocation methodologies, even if all would be allowable under federal OMB cost principles, may not result in comparable allocations across local areas and complicate interpretation the of the resulting cost data, particularly in a One-Stop environment that encourages partnering arrangements that involve the need to allocate shared costs. This increases the difficulty of knowing the extent to which differences in costs across localities reflect differences in “real” costs or differences in allocation methodology.

***E. Assessing State Systems for Capturing Cost and Participant Information***

Each of the state systems for developing cost and participant information necessary to estimate service-level unit costs has relative strengths and weaknesses. Florida arguably has put in place the most complete financial and participant record keeping and reporting procedures that would support development of unit costs at the national level. In its OSMIS cost categories, it provides detailed definitions for activities to be included in core, intensive, and training services. However, it also gives its regional workforce boards latitude in how they allocate expenditures to the training cost category. Florida also allows local areas discretion in choosing cost allocation methods, but the state does require regional cost allocation plans and reviews them. Finally, Florida is the only state that publishes unit cost data for training services in its WIA annual report. Michigan and Arkansas publish only a state-level summary of how ADW core, intensive, and training service costs are allocated and do not use cost information in conjunction

with participant information. Cost and participant information in these states basically remain in organizational silos.

Michigan has excellent systems for separately reporting cost and participant information, and the cost and participant information appear internally reliable over time. However, the state allows local areas to define cost categories and determine allocation methods without state review. We have documented how the two local areas we visited defined the intensive and training cost categories differently, and how that affected relative unit costs for intensive and training services in the Capital Area and Kalamazoo local workforce areas.

Arkansas has defined a clear cost category for training services – and local areas appear to use it consistently. However, Arkansas also defines a fourth WIA cost category, “program expenditures by administrative entity,” and local areas differ in whether they use it, so all program costs are not allocated to core, intensive, and training at the state level. We also documented differences in allocation methods between the two sites we visited, Little Rock and Hot Springs, which appeared to have a strong effect on relative allocations to core and intensive costs. Finally, the state does not report number of participants by service level as a routine matter, which further complicated our efforts to develop unit cost estimates.

#### ***F. Conclusions and Recommendations***

Overall, this study documents the considerable challenges of developing valid and reliable unit cost estimation when national-level foundational elements for record keeping and reporting of costs and participants by service level are lacking. Without clear

direction on definitions and methodology emanating from ETA, states and local workforce areas are unlikely to attempt to estimate unit costs by service category – and if they do, it would not be possible to make valid comparisons across states and localities because of widely varying definitions and methodologies employed. Among the three service level categories, the study highlighted the particular difficulties in producing valid estimates of unit costs for core services.

Unit costs of core services measured only with WIA cost and participant data are especially unreliable because many core-only recipients of these services are not officially counted as WIA participants, and many core customers receive services paid for from other fund sources, such as Wagner-Peyser. WIA unit costs will be misleading and unreliable if there is cost sharing and co-enrollment across programs (such is often the case with core services) and these costs are not captured from the other programs.

Finally, it is important to note that the local workforce areas in Florida and Michigan reported that while collecting the information required for estimating unit costs required some extra effort, none of the local areas found the burden to be extraordinary. Thus, if ETA elects to mandate collection of unit cost data, the additional resources required will not be prohibitively expensive.

With respect to implementing methodologies at the state and local levels that would permit consistent, valid, and reliable estimation of unit cost by major service category, we make several recommendations:

- **Recommendation #1: If ETA Mandates Service-Level Cost Reporting, It First Needs to Define Cost Categories.** Because ETA did not define clear service-level cost categories as part of WIA regulations, perhaps our study's most important finding is that we observed varying definitions of training services across states and localities that strongly affected costs and unit costs. For example, in the two Michigan localities we visited, unit costs for training differed substantially according

to whether case management and related staff costs while a participant was in training were allocated to training or intensive services. Hence, if ETA requires states and localities to report service-level ADW costs, it is essential that ETA clearly define cost categories and carefully consider the implications of those cost category decisions for the resulting cost estimates. To illustrate, if ETA decides it wants to use a broad measure of training services, it should consider mandating a cost category that includes staff support to training participants, not simply direct training costs (e.g., ITAs).

- **Recommendation #2: If Service-Level Cost Reporting is Mandated, Also Require that States and Localities Use Uniform Cost Allocation Procedures.** We also recommend that as part of a mandated WIA financial record keeping and reporting system that ETA require states -- and that states in turn require local WIBs -- to allocate shared costs primarily on the basis of relative labor expenditures. Consistent cost data must be generated from the ground up starting at the local WIB level because that is where cost allocation is performed and recorded. Because labor costs are such a large component of overall expenditures, it is important to have a system by which labor hours/costs are reliably and consistently accounted for by major service category and used as the primary basis for allocation of shared costs. We believe that labor time measures typically better reflect intensity of resource use and are preferable if the goal is to obtain comparable unit cost estimates. Such labor hour disaggregation may be done through completion of weekly/monthly time sheets or by periodic time studies. ETA should consider developing and testing a prototype system based on labor-time measures that could be distributed to local WIBs to be used to allocate costs by major service level.
- **Recommendation #3: To Provide Accurate and Consistent Cost and Unit Cost Estimates, Local WIBs Also Need Systems to Account for Sub-grantee Expenditures.** Because many WIBs subcontract to other agencies and organizations for the provision of WIA ADW services and such subcontracts represent a large fraction of WIA ADW costs, it is not enough for local WIBs to have systems in place to capture and allocate costs from their own activities. Similar systems will also be needed for sub-grantees to disaggregate expenditures in a consistent and valid manner.
- **Recommendation #4: If States and Localities Are Required to Record and Report Costs by Service Level, ETA Will Need to Provide Substantial Technical Assistance and Training. To Ensure Consistent Collection and Reporting, ETA Will Need to Implement Ongoing Monitoring and Quality Control.** The capabilities, capacities, and understanding of cost data collection and reporting varied substantially across the states and localities visited during this study. ETA can expect that the range of capabilities and receptiveness to cost allocation and reporting across the 600-plus WIBs will range widely. Even those WIBs already collecting data needed to generate unit cost estimates by service level may be using methods that are not in line (or as uniform) as those that ETA may propose to obtain consistent data. These methods are especially important if local areas are to be compared using unit costs as a measure of efficiency. We recommend that even for those states and

localities that are already generating service-level unit cost estimates, ETA devote resources to develop in-depth documentation of appropriate methodologies for states/localities to record and generate costs and unit costs. Next, ETA may need to provide training and ongoing technical assistance to state and local WIA program officials that will be involved in collecting and reporting these data. Finally, if consistent data are to be collected and reported across states and localities, ETA will need to monitor the methodologies employed by states and local WIBs through site visits, collection and review of quality control samples, and other monitoring/enforcement activities.

- **Recommendation #5: ETA Needs a Participant-Based Information System to Collect Accurate and Consistent Participant Counts by Major Service Category.** There may be a tendency to focus on the challenges of disaggregating costs by major service level, but if *unit* costs are to be accurate, it is essential that participant counts by service category also be accurate. The current system maintained by ETA to collect participant data – the WIASRD – is an “exit-based” rather than a “participant-based” system. Hence, as currently structured, the WIASRD provides counts of exiters by major service category, but does not provide similar counts by service level for participants. To obtain the valid service-level participant information needed to estimate unit costs, ETA would need a participant-based reporting system for service-level information rather than the current WIASRD exit-based system.<sup>39</sup>
- **Recommendation # 6: ETA Should Ensure that States and Localities Register One-Stop Customers as WIA Participants More Consistently.** States and localities appear to exercise much flexibility under existing WIA regulations in terms of when and whether an individual served through the One-Stop system becomes a WIA participant. For example, most local WIBs that we visited (Hot Springs, Little Rock, Kalamazoo, Pittsburgh, Ramsey County) do not register individuals as receiving WIA core services until the point at which they begin to receive WIA intensive services. Delaying registration, other things equal, overestimates unit costs of core services by undercounting core-only participants. If unit cost estimates by major service category are to be consistent across states and local WIBs, there is a need for clear and consistent rules to govern when individuals become WIA participants and are considered to have received core, intensive, and training services. Ensuring such consistency would take on added importance if WIA were reauthorized

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<sup>39</sup> The ETA Management Information and Longitudinal Evaluation (EMILE) reporting system, as proposed by ETA in July 2004, would require that all states record and report such service-level participant data to ETA on a routine basis. ETA provides additional details and specification about EMILE at the following website -- [www.doleta.gov/Performance/EMILE/EMILE.cfm](http://www.doleta.gov/Performance/EMILE/EMILE.cfm). This website provides links to (1) the original EMILE Federal Register Notice (published on July 16, 2004), (2) a detailed EMILE Data Preparation and Reporting Handbook, and (3) brief “factsheets” highlighting key features of the EMILE system -- the Job Seeker Standardized Individual Record, the Employer Standardized Individual Record, and the proposed Quarterly Report Format.

by consolidation with ES, thus creating a program where the costs of core services were more fully captured.