

# California One-Stop System Cost Study Report

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Prepared for  
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# Executive Summary

California's One-Stop Career Centers began with a bold vision of bringing together a host of federal, state, and local programs under one roof, with a common goal, to better serve people seeking to improve their lives through education, training or employment. In 2006 the California Workforce Investment Board's (CWIB) Accountability Committee was uncertain how well the vision had been realized and wanted to examine California's One-Stops through a new lens. The committee called for a cost study of the One-Stop Career System. In the committee's view:

The reality is that there is inconsistent integration of services and no centralized accounting process within the System that effectively controls or accounts for all resources utilized to produce the System's Outputs....As a result, the One-Stop System appears to some of its customers and outside observers as a fragmented and inefficient business enterprise.<sup>1</sup>

## The Study Approach

To complete a cost study of One-Stops, the CWIB contracted with a team of researchers in the College of Business and Economics at California State University, Northridge to analyze the costs and operations of California's One-Stop Career Centers. The comprehensive report of study and appendices are available on the CWIB Website at [www.calwia.org](http://www.calwia.org). Working with staff from EDD and the CWIB, the Cal State Northridge team developed the following research questions to guide the study:

1. What resources do California One-Stops have and where do they spend them?
2. What do partners contribute to the operation of the One-Stop and how does the pattern vary between sites?
3. How much and what types of services do One-Stops produce, and how do sites vary from each other?
4. What do different One-Stop services cost to produce and how do costs vary between sites?
5. Can standard measures or service units and costs be developed and applied across One-Stops?

The study designed to answer these questions had two phases. In Phase I, the research team conducted four in-depth case studies. The goal of the case studies was to answer the research questions and develop methods that could be replicated in a state-wide survey of One-Stops. In Phase II of the study, the team conducted a survey of 18 comprehensive One-Stops, which when added to the case study data provided a study population of 22 full service One-Stops. To get the best response possible, we promised each One-Stop anonymity. In the report you will see sites are designated by generic names such as "large southern urban One-Stop" to protect each site's confidentiality.

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<sup>1</sup> From: "Proposal by the California Workforce Investment Board Accountability Committee for a Cost Study of the One-Stop Career System", October 28, 2005.

This is the first study to look at the consolidated costs and the consolidated services across the full range of on-site partners in a group of One-Stops. The study used the Activity Based Cost (ABC) accounting model to conduct its analysis. The purpose of Activity Based Costing is to better understand the real costs of producing a product or service.<sup>2</sup> The ABC approach focuses on the processes and activities that produce specific services rather than the traditional line items found in government budgets. In short, ABC is a dramatic departure from traditional government budgets, and we believed it would provide valuable insights into the costs of One-Stops. The ABC accounting model begins by mapping the processes and activities that generate costs and produce services. Our case studies revealed that the One-Stops were built around four processes:

- A *universal services process*, where an person can walk in to One-Stop and use services to find a job or training opportunities;
- An *enrolled services process*, eligible clients formally enroll in programs such as the WIA Adult program, the Trade Adjustment Assistance Act program or CalWorks;
- A *business services process*, services to business ranging from workshops on writing a business plan to rapid response services for companies facing a layoff or closure;
- A *youth services process*, services to eligible youth that range academic support to case management, to help finding a summer job.

Within each process were multiple activities, and each process produced multiple services lines. Using this framework, the study estimated the costs of processes and the activities within them, and then estimated the cost-per-unit of services produced. It also estimated the costs incurred by partners within the One-Stops associated with each process.

Here's a quick word about what this study is *not*. This study is not an evaluation of the One-Stop system. It is not an attempt to make judgments about what costs are appropriate or what activities are most efficient; rather, we endeavor to describe as clearly as possible what we observed. There are no standards or regulations for what services should cost in One-Stops, or what partners should contribute, or which services should be produced in what volume. So there was no yardstick against which to evaluate what we found. Further, this is not a study of the larger workforce development system. This study is restricted to services provided by personnel who were based "under the roof" of the One-Stop at the time the services were provided. Services that were conducted off-site by personnel who were not based at the One-Stop, such as training at a local community college, were not included in the analysis.

With these limits in mind, here is a brief summary of our results for the research questions posed before.

## **1. What resources do California One-Stops have and where do they spend them?**

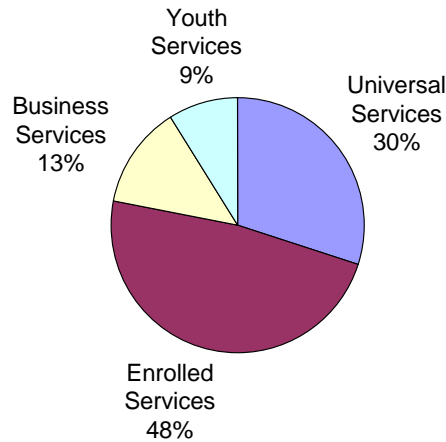
The 22 sites studied had annual costs of \$66.5 million, with an average cost of about \$3 million, but a median cost (the point at which half the sites were above and half below) of \$2.4 million. Costs ranged from a low of \$900,000 to a high of \$10 million.

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<sup>2</sup> For a general introduction to ABC see Cokins, Gary, et.al (1992) *An ABC Manager's Primer: Straight Talk on Activity-Based Costing*, Irwin Publishing.

We found the activities that took place in the One-Stops could be placed within four processes noted above: “universal services process,” “enrolled services process,” “business services process,” and “youth services process.” We then estimated the percentage of total costs generated by each process. Summing across all 22 sites, we found that the “enrolled services process” accounted for the largest amount of costs at 48%, followed by “universal services”, “business services” and “youth services” (which were present in about half the One-Stops).

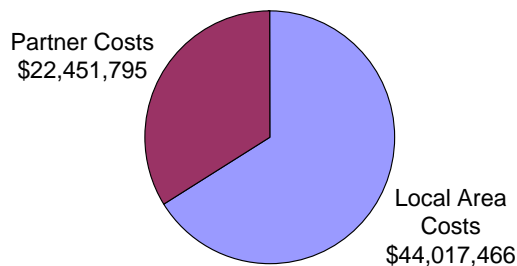
**Figure E-1: Percent of Cost By Process Across All Sites**



**2. What do partners contribute to the operation of the One-Stop and how does the pattern vary between sites?**

Across all 22 sites partners’ costs accounted for about 34% or \$22.4 million of total costs for the One-Stops studied.

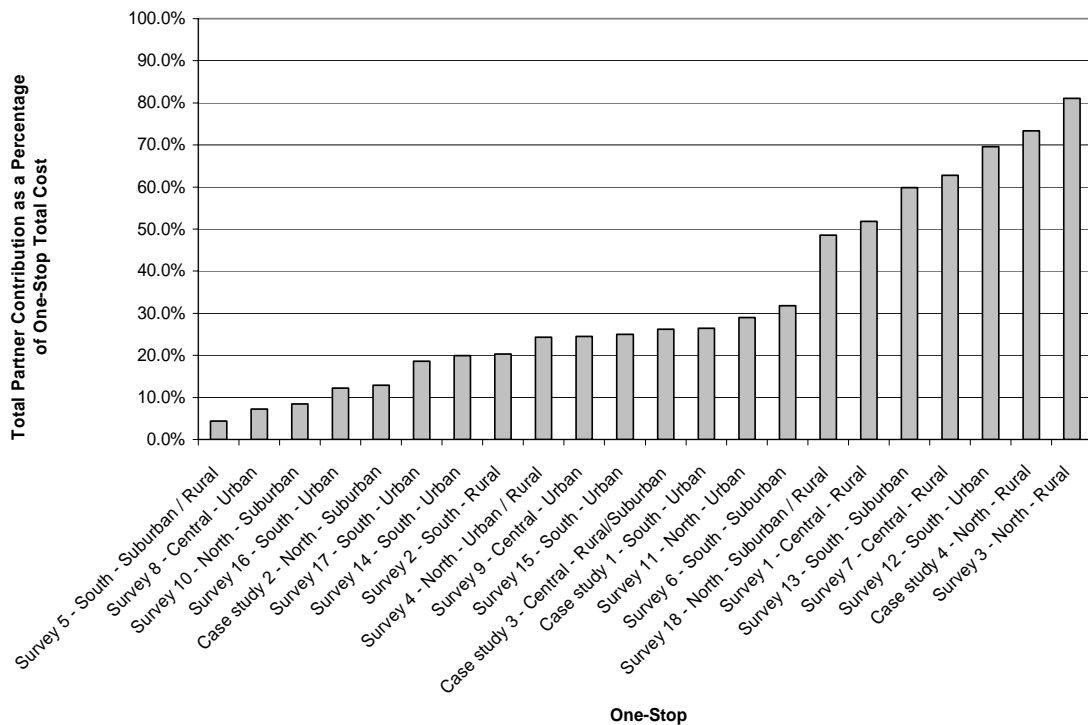
**Figure E-2: Local Area Costs and Partner Costs**



Contributions tended to be largest in the universal process and smallest in business services. The largest partner contribution was from EDD at about \$13 million, followed by a mixed group of local partners ranging from housing authorities to tribal councils to Goodwill, which as a group contributed slightly less than \$4 million. Health and Human Services Agencies (mostly county agencies responsible for CalWorks programs) contributed over \$2 million. No other partner contributed over \$1 million in costs across the sample of 22 One-Stops. It is important to note that our tabulation of partner contributions is directly affected by our “under the roof” definition.

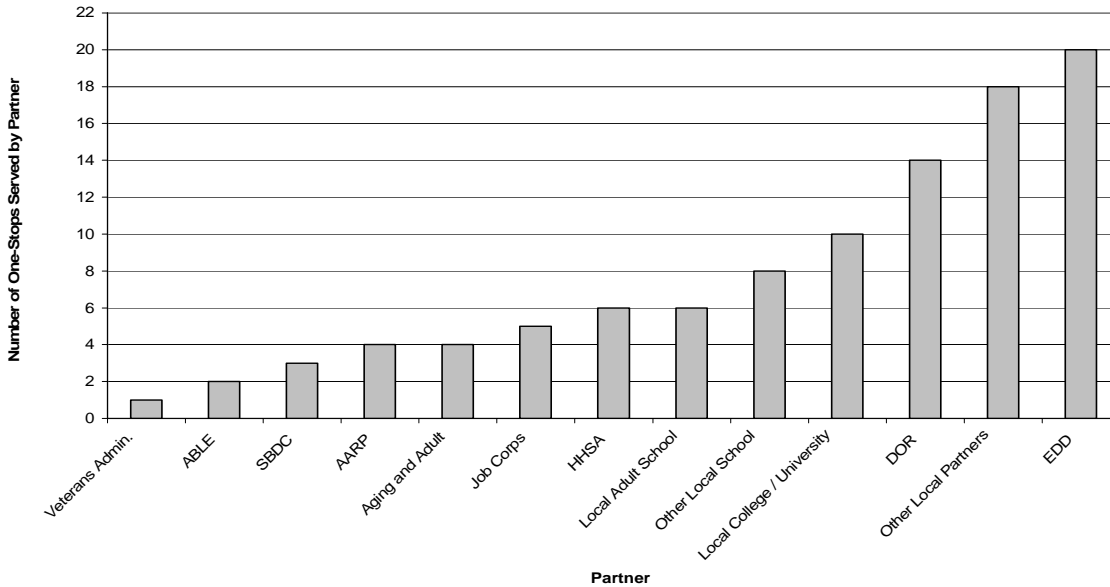
The pattern of partner contributions varied a great deal across One-Stops studied. The graph below indicates that while partners contributed 34% of all costs, in a few One-Stops partner contributions were equal to over 70% of total costs, while at the other end of the scale partner contributions made up less than 10% of total cost at some One-Stops in the sample.

**Figure E-3: Percent of Total Costs Contributed by Partners by One-Stop**



We also looked at how often partners appeared in the One-Stops. Below you can see that EDD was the most active partner, present in 20 of the 22 One-Stops studied, while the Department of Rehabilitation was in 14 out of 22. No other partner appeared in half of the One-Stops surveyed.

**Figure E-4: Number of One-Stops Served by Partners**



3. **How much and what types of services do One-Stops produce, and how do sites vary from each other?**
4. **What do different One-Stop services cost to produce and how do costs vary between sites?**

These are two complex and closely related questions. As a new enterprise, One-Stops do not have standard cost indicators like those found in more mature organizations. In the analysis, we developed a wide array of cost per-unit of service measures which can evolve into valuable management tools. From the case studies, we developed a standard set of services One-Stops produced and then estimated the per-unit cost of producing those services, by dividing the total costs of a service by the number of units produced at each One-Stop. In the table below we present what we believe are the most valuable “cost-per” measures for understanding One-Stop operations by process.

**Table E-1: Services by Process: Median Cost and Range Of Cost Per-Unit of Service and Range**

<i>Process/ Unit of Service</i>	<i>Median Cost Per</i>	<i>Range</i>
<b>Universal Services</b>		
Per Universal Client	\$166	\$33 - \$554
Per Universal Visit	\$41	\$8 - \$146
Per Coaching and 1-on-1 assistance Event	\$20	\$6 - 145

<i>Process/ Unit of Service</i>	<i>Median Cost Per</i>	<i>Range</i>
<b>Enrolled Service</b>		
Per Enrolled Client	\$2,671	\$579 - \$8,015
Per Client Receiving Case Management	\$1,208	\$218 - \$4,543
Per Enrolled Client Placed	\$7,012	\$739 - \$20,708
<b>Business Services</b>		
Per Rapid Response Employer Assisted	\$964	\$62 - \$18,127
Per Rapid Response Employee Assisted	\$157	\$3 - \$4,671
Per Mass Hire Event	\$2,934	\$355 - \$11,524
<b>Youth</b>		
Per Youth Served	\$3,837	\$546 - \$20,178
Per Youth Placed in Employment	\$2,526	\$617 - \$6,328

### **Universal Services**

Universal services accounted for about 25% of the costs in the One-Stops in the sample. These services are open to anyone who walks into a One-Stop. In theory, Universal services are provided on a self-service basis, but much like the public library, many clients need help and One-Stops provide it by offering some one-on-one coaching, such as reviewing resumes or helping with computers.

From our case study experience we found that there were three key cost-per-unit measures for universal services: cost per universal client, cost per universal visit and cost per one-on-one assistance event. The median cost per universal client was \$166, with a range of only \$33 to \$554. The cost per client visit tends to cluster around \$40 a visit with a few outliers at higher and lower costs. This is not surprising, as we found in our case studies that most universal access processes deliver roughly the same types of services, and hence have similar costs.

The variance in cost-per-client is explained mostly by the average number of visits made by clients. The average number of visits by universal clients varies across the sites from one to twelve visits per client. Obviously, clients who visit many times on average will cost more to serve than clients who come a few times. Finally, we found the median cost of providing one-on-one assistance to be about \$20 per event.

### **Enrolled Services**

The enrolled services process is the most costly process within the One-Stops, accounting for 48% of sampled One-Stop costs. We found three key cost-per-unit measures: the cost per enrolled client, cost per client receiving case management and cost per client placed. Cost per enrolled client had a median of almost \$2,700, with a wide range from less than \$600 to over \$8,000. The variance in cost was driven in part by the type of client. In sites where there was a large CalWorks program in which clients got extensive case management over many months, costs were higher than in One-Stops with only WIA clients. Similarly, if sites provided training services in the One-Stop rather than contracting them out, costs tended to be higher.

## **Business Services**

One of the key business services we looked at were rapid response services, where One-Stops provide services to businesses facing a layoff or shut down. Another was mass hire events, where a large business such as a big box retailer is seeking a number of employees, and the One-Stop will advertise and provide a facility to the employer to meet and interview employees.

We examined rapid response from two perspectives: the number of employers assisted and number of employees assisted. As the table above indicates, the median cost of providing rapid response services to a business was \$964, but the cost ranged widely. When we looked at the cost of assisting an employee with rapid response service the median cost was \$157, again with a wide range. The wide variation is due to the variety of interventions offered and the size of the companies. In one case, the One-Stop may just provide some routine information to the company, while in another they may set up extensive on-site services. Similarly, the number of companies served affects the cost per company served; the number of companies served ranged from 450 to a handful.

The median cost of a mass hire event was \$2,934, with a median cost per applicant interviewed of \$48. The wide range in costs is driven by the number of clients interviewed and the amount of marketing and logistics that go into the event.

## **Youth Services**

Only about half the One-Stops surveyed had a youth program housed under the roof, so our measures in this process are more limited and more variable. We saw two key indicators here; the cost per youth served, which is simply the total number of youth served divided by the total cost of the youth process and the cost of placing a youth in any type of employment experience.

The median cost per youth receiving services was \$3,837, substantially higher than the median cost for enrolled adults. The costs varied widely from only \$546 to over \$20,000, but most sites had costs between \$2,000 and \$7,000 per youth. Again, the wide variation in volume of service delivered may account for the different costs in large part. The median cost per youth who was placed in some type of employment (work experience, summer job, and regular employment) was \$2,526.

### **5. Can standard measures or service units and costs be developed and applied across One-Stops?**

We believe the results of this study clearly show that such a set of standard measures can be developed. The full report shows the detailed definitions and calculations we used for measures we developed. Below we propose a process lead by the CWIB to develop a sophisticated measurement system for One-Stops.



## Conclusions

This project is the first Activity Based Cost Accounting (ABC) analysis of One-Stop Career Centers and their finances and as such this project raises as many questions as it answers. Our goal was not to evaluate how the One-Stops manage their costs but to describe objectively what is happening in the field in terms of operations and finances and to provide a model for how One-Stop costs and operations could be measured. The study does have a few observations which will add some insight for policymakers and practitioners:

- Traditional federal, state and local funding streams still drive how One-Stops conceptualize costs and services, and undermine managers' ability to see their operation holistically.
- There are few standard measures for units of service produced, so comparison and benchmarking against other sites or over time is difficult.
- Partner relations vary widely, based on local conditions, funding and eligibility requirements for each program, and the personal networks of One-Stop managers.
- One-Stops tend to structure their processes around the WIA program, so the four processes we uncovered appear to be fairly consistent across sites.
- One-Stop services were customized to local needs and this accounts in large part for the differences in costs between sites.
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## Recommendations

Finally, we recommend that the State Board take the lead in developing a voluntary system of standard measures of costs and services for the One-Stops. Such a system can evolve over time into a powerful method for improving the performance of One-Stops. We see four specific steps the Board could take to promote the development of such a system:

- Extend the ABC analysis to different types of One-Stops, including satellite One-Stops and smaller, less-than-comprehensive One-Stops.
- Form a voluntary group of One-Stop managers and policy makers to develop a limited set of key "workforce industry measures" based on their expert opinion and the results of this study.
- Create a voluntary centralized data-base system where One-Stops can submit data on line and have key measures calculated and returned, benchmarked against other similar One-Stops.
- Link cost analysis to performance outcome measures that include all programs housed "under the One-Stop roof." These data can start to create a framework for reliable valid cost/benefit analyses and ultimately a return on investment analysis.

The complete report is available at [www.calwia.org](http://www.calwia.org) .

# Acknowledgements

This project was designed to be a collaborative effort so we have many contributions to acknowledge. First, we want to thank to the 22 One-Stop Career Centers and their local WIA programs and partners for being willing to share their data with us and investing the time and effort it took to complete the survey. We particularly want to thank the case study sites who hosted our study team for several days each. Because we promised the sites strict confidentiality, we are unable to name them here. We would also like to thank the California Workforce Association and Virginia Hamilton for their instrumental role in communicating and garnering support from the Local Workforce Investment Boards.

Three EDD staff worked with us through out the study. Doug Orlando participated in all four of the case studies, and provided his invaluable accounting expertise, particularly about ABC accounting, and a deep knowledge of One-Stops. Doug also contributed significantly to the development of the survey instruments. Rod Addy participated in three of the case studies and lent us his in-depth knowledge of One-Stops, WIA and local EDD operations to help us develop our data collection approach. Both Doug and Ron are relentlessly cheerful and fun to be with in the field. Steve Saxton, of EDD provided some of the original thinking that went in to study and reliably came up with tough questions and new insights as the study progressed.

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