

California One Stop Career Center Cost Study Report

Note to Reader and Commonly Asked Questions & Answers

Note to Reader:

This is the first study to look at in-kind and financial resources supporting operation of and service delivery in a group of One-Stop Centers. It is also the first study to quantify the consolidated costs and the consolidated services across the full range of on-site partners in a group of One-Stop Centers. The study was based on the Activity-Based Cost (ABC) accounting model. The purpose of ABC accounting is to better understand the real costs of producing a product or service. We believe this understanding is the first step toward improved, more efficient operations of the One-Stops in California.

The ABC approach focuses on the processes and activities that produce specific services rather than the traditional line items found in government budgets. The ABC approach is used widely in the private sector to provide better management information on production costs. In short, ABC is a dramatic departure from traditional government budgets, and we believe it will 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. The study team found that within each One-Stop process were multiple activities, and that each process produced multiple services lines. Using this framework, the study team 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 all partners associated with each process within the One-Stops.

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 services should be provided, 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 recognized 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.

Questions and Answers About the Report:

Q. As a One-Stop manager how can I use this report.

A. This report is designed to demonstrate a method for calculating the total costs of operating a One-Stop—including partner costs—and provide a benchmark group of One-Stops against which you can compare if you choose to use the ABC approach in your area. The tools provided in the appendices will allow you to perform an ABC analysis of your One-Stop Center(s). With this information in your hands, you can test your costs against the benchmark group to see if you are relatively low, average

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or high. The report also gives you a new way to think about your One-Stop. It suggests you think about your One-Stop as a services organization with several processes that produce services for clients. By analyzing the costs of the processes and services you produce you can identify areas where you can become more efficient. It also provides a framework for thinking strategically about how your One-Stop invests its resources. We anticipate that this analysis will allow you to identify particular partners in your One-Stops that may have higher costs associated with the client segments they serve and begin to evaluate with them ways to leverage services to these populations to realize cost efficiencies. In some instances it may reveal redundancy in service delivery which could be eliminated by a more effective allocation of staffing.

Q: Why did you only analyze costs “under the roof” of the One-Stop and not costs like training that occur away from the One-Stop?

A: In this study, the unit of analysis was the individual One-Stop Center. We did not attempt to study the entire One-Stop System, or the broader workforce system, in any area. To assess the costs of the overall One-Stop or workforce system in any given area, we would have needed to delve more deeply into the books of a much broader array of agencies. The level of investigation required to track the movement of funding outside of the confines of a particular center was beyond the scope of this project. We were using a business model to understand costs in a public service entity and it was difficult to track all of the subsidies that impacted on cost of service once we left the confines of a particular location. For example, if a participant received an individual training account (ITA) to attend a community college vocational program located on a community college campus, the ABC model would have required that we trace all the costs the college incurred in serving that student. We would also have needed to include the costs of all other training recipients at the college—as they are being served by the workforce system—whether or not they came through the One-Stop.

The value of the study is to enable people to better manage One-Stop operations, see how One-Stop processes cost out, understand some of the ways partners in the One-Stop Centers influence costs, assess where they are effective and where they can improve operations under their control.

Q: Were the costs of developing an individual training account (ITA) captured?

A: The cost of developing an ITA was counted. However, as described above, if training was delivered outside of the One Stop Career Center, the actual training costs were not counted, because of our “under-the-roof definition”.

Q: Was quality of services assessed?

A: No, it was challenging just to get the descriptive count of services and their in-kind and dollar costs. It would be valuable in the future to look at the quality and impact of services in relationship to costs.

Q: Did this study address the cost of infrastructure and partners’ contributions to it?

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A: There is no clear definition of infrastructure, so we were not able to estimate infrastructure costs or what partners contributed to infrastructure costs. We did capture agency overhead costs for WIA and all other partners. This included overhead of “donated” labor.

Q: Did any One-Stops have central or regional costs?

A: Yes, we observed, traced, and accounted for these “home office” costs.

Q: Given the ABC process, how did you incorporate overhead or indirect costs?

A: The ABC approach traces overhead costs to the activities that generate them. Hence, if one activity generated more overhead costs than another activity, more of the overhead costs were assigned to that activity. We used managers’ estimates to do this. Costs were not assigned based on an overhead rate.

Q: Why are there three universal services related measures?

A: We provided many measures so that the workforce community could assess which are most relevant and might serve as future benchmarks. Specific to universal services, we calculated number of visits, number of clients, and number of service events.

Q: Were the costs of information technology (IT) tracked?

A: We traced IT costs by managers’ estimates of how IT was used. We asked managers to estimate what percent of IT costs went into each process/activity so that 100% of IT costs were traced to specific activities.

Q: Did you find duplication of services or instances where more than one partner was providing a particular service such as counseling?

A: We did find that within any particular One-Stop more than one agency might provide a service. For example, multiple agencies might provide workshops or counseling. We did not apply any judgment on whether the services delivered by a particular partner were redundant or unique in comparison to similarly defined services provided by another partner. We combined all the costs of all agencies together to get the total cost of a particular service.

Q: One-Stop Centers may not use the same methods for tracking and reporting of universal services. How did you account for variance in reporting practices?

A: The study did not rely solely upon officially reported data. We used internal documentation to capture the types and amounts of service provided, and the cost associated with those activities.

Q: It appears that there is a wide range of total costs between One-Stop Centers and in the cost of services delivered from Center to Center. Do you have any ideas on what factors might influence this variance?

A: We do have some hypothetical thoughts regarding cost variance between centers, but much deeper analysis will be required to bear out their accuracy. For instance, we hypothesize that those centers where Welfare or Human Service partners are working

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with TANF participants under the Welfare Reform Act appear to have a higher customer return visit rate, therefore higher costs of services may be related to those return visits. Theoretically, that cost would be lower in centers where client visits are limited to one or two visits for the purpose of looking for a job. Hypothetically, those centers with more partners may reflect higher costs because more services of a unique nature are being offered. In centers with higher costs and a lower client flow, increased cost may be associated with the need to deliver more intensive levels of service to the client pool. Some variance may be attributed to differences in staffing costs, facility costs or any number of other factors. As stated, further analysis of cost variance is needed in order to understand its cause and whether the variance carries positive or negative implications for the delivery of services out of One-Stop Centers.

Q: How will the California Workforce Investment Board (Board) use this study?

A: The CWIB is interested in working with local partners to understand where opportunities for continued improvement in the One-Stop Center delivery model can be identified. The Board is establishing a workgroup comprised of One-Stop managers, partner representatives, Board members, staff Local Workforce Board representatives and representatives from the California Workforce Association. The charter of this workgroup will be to become familiar with the report and begin identifying how the information it contains should be used to improve the One-Stop delivery model and advance it as a key component of a comprehensive workforce development system.