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ABSTRACT

A study examined the organization and implementation of Job Training Partnership Act (JTPA) programs at the state and local levels. Data for the study were obtained from a questionnaire given to JTPA program administrators in the 50 States, the territories, and the District of Columbia. In addition, the Government Accounting Office (GAO) visited 15 local service delivery areas in 8 States. Data pertaining to the following areas of program design and implementation were collected and analyzed: State and local delivery systems, State councils, State administrative agencies, service delivery area (SDA) designations, State coordination, membership of local private industry councils (PICs), SDA grant recipients and administrative entities, groups targeted for service, client selection, supportive services and needs-based payments, training and service contracts, and program evaluation. (This report includes 21 tables of data as well as appendixes detailing the following: types of SDAs visited, JTPA Title II-A allocations for the first nine months of the program, States and SDAs visited, and the verbatim comments of the Department of Labor regarding the GAO's evaluation of JTPA implementation.) (MN)

BY THE COMPTROLLER GENERAL

Report To The Congress

OF THE UNITED STATES

Job Training Partnership Act: Initial Implementation Of Program For Disadvantaged Youth And Adults

The Job Training Partnership Act replaced the Comprehensive Employment and Training Act as the nation's primary federally funded employment and training program on October 1, 1983. This program is administered by the Department of Labor and provides training to unskilled and economically disadvantaged individuals who need training to obtain employment.

Because of the newness of the program, GAO obtained baseline data describing the state and local apparatus for implementing the largest of the several programs authorized by the act--the title II-A program for disadvantaged youth and adults. This report provides an overview of the Job Training Partnership program and information on how it was being organized and implemented at the state and local level between October 1982 and February 1984.

GAO/HRD-85-4
MARCH 4, 1985

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COMPTROLLER GENERAL OF THE UNITED STATES
WASHINGTON D.C. 20548

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To the President of the Senate and the
Speaker of the House of Representatives

This report is the first of a series on the Job Training Partnership Act program. It provides an overview of the program and information on how it is being organized and implemented at the state and local level. Later studies that we plan to undertake will focus on specific aspects of how the program is being carried out and the results being achieved.

This study was undertaken pursuant to section 165(b)(1)(B) of the Job Training Partnership Act which authorizes the Comptroller General to conduct investigations of the use of such funds to insure compliance with the provisions of the act.

We are sending copies of this report to the Secretary of Labor; the Director, Office of Management and Budget; and other interested parties.

Milton J. Socolar

Acting Comptroller General
of the United States

COMPTROLLER GENERAL'S REPORT TO THE CONGRESS

JOB TRAINING PARTNERSHIP ACT: INITIAL IMPLEMENTATION OF PROGRAM FOR DISADVANTAGED YOUTH AND ADULTS

D I G E S T

The Job Training Partnership Act of 1982 succeeded the Comprehensive Employment and Training Act (CETA), the nation's largest employment and job training program. The new act shifted major job training program responsibilities from the U.S. Department of Labor to state governors and, at the same time, made business and industry (the private sector) a partner in the planning, administration, and oversight of the program at both the state and local level. The program began operating on October 1, 1983, after a 1-year transition period, during which state and local delivery systems were organized. The program provides job training and other employment services, such as placement, to unskilled and economically disadvantaged individuals who need training to obtain employment.

This report provides the Congress information on the Job Training Partnership Act program and how it is being organized and implemented by the states nationwide and by selected service delivery areas at the local level. This descriptive baseline data should assist the Congress in its oversight of the act.

GAO focused on title II-A, which provides for training economically disadvantaged persons and is the largest of the act's programs in terms of numbers of participants and funding. Funding for the act's initial 9-month period was $2.8 billion, including $1.4 billion for title II-A. GAO gathered data during the period October 1983 through February 1984. GAO met with Labor program officials in Washington, D.C., and four regional offices and coordinated with other organizations conducting studies or otherwise interested in the Job Training Partnership Act program. GAO used a questionnaire to survey all 50 states, the territories, and the District of Columbia. In addition, GAO visited 15 local service delivery areas in California, Florida, Indiana, Ohio, Maryland, Massachusetts, South Carolina, and Nevada.

STATE AND LOCAL DELIVERY SYSTEM

To implement the program, each governor had to appoint a State Job Training Coordinating Council to coordinate training programs with other human services and economic development programs, select a state agency to administer the program, and divide the state into service delivery areas. Within each service delivery area, local elected officials appointed a private industry council, which had to be approved by the governor. The local elected officials and the private industry council together designated a local entity as the recipient of the state grant and a local program administrative entity. The latter may be the same or a different entity as the grant recipient.

The local private industry council, in agreement with local elected officials, must prepare an annual plan for providing disadvantaged adults and youth with the employment and training services authorized by title II-A of the act; the plan must be approved by the governor. The local council has primary responsibility for setting local program policy. (See p. 2.)

Each state retains 22 percent of its title II-A allocation for state programs and administrative costs. The other 78 percent goes to service delivery areas for local programs. (See p. 17.) The new program emphasizes training by requiring, as a general rule, that each service delivery area spend at least 70 percent of its funds on training and no more than 15 percent on administration. Administrative costs and participant support costs (needs-based payments and services, such as transportation and child care) together cannot exceed 30 percent. Consistent with this emphasis, the act requires that Labor establish national performance standards related to increases in participants' employment and earnings and reductions in their welfare dependency.

STATE COUNCILS

Generally, governors appointed State Job Training Coordinating Councils in accordance with the law's requirements that one-third of the members come from business and industry, at least 20 percent from state government, at least

20 percent from local government, and at least 20 percent from the general sector, including organized labor and local education agencies.

The average council had 32 members. Most private sector representatives were business owners or chief executives, indicating involvement from a high level within the business community. (See pp. 6 to 12.)

STATE ADMINISTRATIVE AGENCIES

Governors usually selected one agency to administer all Job Training Partnership Act funds. This agency in 49 states (including the territories and the District of Columbia) was either the same agency which had administered the state's CETA program or a reorganized successor to that agency. (See pp. 12 and 13.)

SERVICE DELIVERY AREA DESIGNATIONS

In general, the process for dividing the state into service delivery areas resulted in 594 service areas compared to 470 under CETA. Almost 50 percent of the service delivery areas were composed of multicounty areas. Eleven states had formed single statewide service areas, and 13, in addition to having some local service delivery areas, had balance-of-state service areas (large geographical areas not divided into local service delivery areas and typically administered by the state). (See pp. 13 to 17.)

STATE COORDINATION

The act required states to plan for coordinating program activities with related state and local programs to achieve a comprehensive integrated service delivery system. In 44 states, the agencies responsible for administering the Job Training Partnership Act reported they had made agreements for coordinating services with at least one other human services program. About half of the states, however, had no agreements, either formal or informal, with agencies responsible for such programs as secondary education, vocational training, public employment service, and economic development. GAO's data were collected early in the program, when numerous programmatic activities and decisions occupied the

attention of program officials and when coordination efforts may not have received high priority. Such efforts, however, should evolve over time if the coordination envisioned by the act is to occur. (See pp. 19 to 23.)

MEMBERSHIP OF LOCAL PRIVATE INDUSTRY COUNCILS

Generally, the private industry councils for the 15 service delivery areas GAO visited met the law's requirements that a majority of the members come from the private sector and include representatives from local education agencies, organized labor, rehabilitation agencies, community-based organizations, economic development agencies, and the public employment service. Almost 70 percent of the private sector members were owners, chairpersons, presidents, or vice presidents in their businesses, indicating involvement from a high level within the business community. (See pp. 26 to 28.)

SERVICE DELIVERY AREA GRANT RECIPIENTS AND ADMINISTRATIVE ENTITIES

The National Alliance of Business (an independent, nonprofit, business-oriented corporation with which Labor has contracted to provide training and technical assistance to service delivery areas) surveyed service delivery areas nationwide in late 1983 to gather organizational data. According to its survey, in about 65 percent of all service delivery areas, local governments were selected as grant recipients. In 10 of the 15 service delivery areas visited by GAO, local government units were selected as grant recipients. Officials at these 10 areas said that the selection was influenced by the provision in the act that grant recipients are responsible for repaying disallowed costs arising from audits and local governments have the ability to repay such liabilities.

Service delivery areas usually selected their grant recipients to also be their administrative entities. According to the Alliance, about 81 percent of the service areas chose the same entity to play both roles. (See pp. 28 to 30.)

GROUPS TARGETED FOR SERVICE

Nationally, high school dropouts and welfare recipients were most frequently targeted as priority groups. According to the Alliance, 75 to nearly 80 percent of all service delivery areas targeted dropouts and welfare recipients, both of which are cited in the act as priority groups.

Youth, in general, are a priority under the act. Each service delivery area must spend at least 40 percent of title II-A funds on youth. Six of the 15 service delivery areas GAO visited were confident of meeting the requirement. Other service delivery areas were unsure of whether they could institute youth programs large enough to spend 40 percent of title II-A funds. (See pp. 30 to 33.)

CLIENT SELECTION

Some concern has been expressed in the employment and training community that the act may influence service delivery areas to enroll persons needing only limited employment and training assistance rather than those needing more extensive assistance. They believe this practice results in inequitable treatment among those who are eligible. The act, however, does not prohibit such a practice. Because of the newness of the program at the time of its review, GAO did not collect data which would allow a determination that the practice existed or that it would be equitable. However, GAO collected data on service delivery area selection methods to determine if they would facilitate such a practice. GAO found examples of how service delivery area selection methods can be used to select both participants needing only limited employment and training assistance and those needing more extensive assistance. (See pp. 33 and 34.)

SUPPORTIVE SERVICES AND NEEDS-BASED PAYMENTS

As a general rule, administrative and participant support costs together cannot exceed 30 percent of a service delivery area's funding. Assuming a service delivery area spends 15 percent of its funds on administrative activities, it is then limited to 15 percent for participant

support costs. Three of 15 service delivery areas GAO visited budgeted 15 percent for participant support, and the other 12 had budgets ranging from 2 to 14 percent.

The supportive services most often provided were transportation and child care. Ten of the 15 service delivery areas offered needs-based payments which varied from $2 a day for all classroom training participants in one service delivery area; $45 a week for classroom training participants with poverty level incomes in another area; and $30 a week for all participants receiving public assistance in yet another area. (See pp. 34 to 38.)

TRAINING AND SERVICE CONTRACTS

In the 15 service delivery areas visited by GAO, 92 percent of the 387 service providers also had furnished services under CETA. The type of entity most frequently awarded contracts was the community-based organization, a private, nonprofit organization representative of the community or a significant segment of the community. Such organizations received over 36 percent of the contract awards. Classroom skills training and on-the-job training were the primary services for which contracts were awarded--together accounting for over half the awards. (See pp. 39 to 42.)

PROGRAM EVALUATION

The Job Training Partnership Act requires that Labor establish performance standards to measure whether job training programs increase participants' employment and earnings and reduce their welfare dependency. Labor has established performance standards which focus on the economic status of participants immediately after termination. In addition, Labor is in the process of developing standards for measuring how much the program enhances participants' long-term economic independence. Labor plans to issue such standards for the program year which starts July 1, 1986.

Labor's performance standards are based on national averages which were achieved in adult and youth CETA programs. Each state is permitted to

adjust these national averages because local economic, demographic, and programmatic conditions found in each service delivery area may vary from the national average. The adjusted standards for each delivery area become the measures of its performance. States are permitted to design and use different methods to adjust performance standards. Although the act does not require comparisons of performance between states, consistency in the method of adjusting the standards would allow such comparisons. (See pp. 48 to 55.)

AGENCY COMMENTS

Labor expressed concern that GAO's statements contained implied deficiencies regarding the degree of program coordination occurring at the state level, the use of participant selection practices by some service delivery areas that could focus training resources on applicants with the highest relative job skills, and the extent to which characteristics data were being collected on all eligible applicants.

GAO revised its report to recognize that coordination may not have occurred initially in the program, but may as it evolves; to emphasize that targeting any group among those eligible is not contrary to the law; and to remove the implication that comprehensive participant data are required.

Labor also provided suggested clarification and technical modifications which were incorporated in the report, where appropriate. Labor's comments and GAO's analysis of them are discussed in more detail in the report and in appendix IV.

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ABBREVIATIONS

CBO	community-based organization
CETA	Comprehensive Employment and Training Act
GAO	General Accounting Office
JTPA	Job Training Partnership Act
MIS	management information system
NAB	National Alliance of Business
OJT	on-the-job training
OMB	Office of Management and Budget
PIC	private industry council
SDA	service delivery area

CHAPTER 1

INTRODUCTION

The Job Training Partnership Act (JTPA) was signed into law on October 13, 1982. Following a 1-year transition period, during which state and local delivery systems were organized, JTPA replaced the Comprehensive Employment and Training Act (CETA) as the nation's primary federally funded employment and training program on October 1, 1983. Administered by the Department of Labor, JTPA provides job training to unskilled and economically disadvantaged individuals who need training to obtain employment.

JTPA is similar to CETA in that it provides job training and employment assistance primarily through locally based delivery systems. For the most part, however, JTPA differs markedly from CETA. Unlike CETA it establishes a partnership between the private and public sectors over all aspects of local policymaking, planning, administration, and program operations. Furthermore, it allows these private and public partnerships to make fundamental decisions on how to administer JTPA funds and on what types and mix of services to provide. Other key differences of JTPA include

--reducing Labor's role by shifting many administrative and oversight functions to states,

--requiring that most funds be spent on training rather than administration and participant support services, and

--requiring that program performance be measured by standards based on increases in participant earnings and reduced welfare dependency.

JTPA consists of five titles. Title I establishes the state and local service delivery system and addresses general program and administrative issues. Title II authorizes funding and establishes requirements for two programs--a year-round training program for disadvantaged adults and youth (title II-A) and a summer youth program (title II-B). Title III provides for a separate, state-administered employment and training program for dislocated workers (those who have lost their jobs because of plant closings or major work force reductions and are unlikely to return to their previous industry or occupation). Title IV establishes funding and requirements for federally administered activities, such as Job Corps and programs for Native Americans. And lastly, title V contains miscellaneous provisions and changes to training related activities in other federal programs, including state employment service agencies and the Work Incentive program.

The JTPA program operates on a 2-year planning cycle. Each state and service delivery area (SDA) is required to prepare a 2-year plan describing its JTPA programs and activities over 2 program years.[1] The act, however, initially allowed SDAs to plan only for the 9-month period, October 1, 1983, to June 30, 1984. The first full 2-year planning cycle began on July 1, 1984. The first program year, July 1, 1984, to June 30, 1985, is referred to as program year 1984.

Funding for the initial 9-month period of JTPA totaled about $2.8 billion. Of this amount, approximately $1.4 billion was for title II-A, $725 million for title II-B, $94 million for title III, and $560 million for title IV federally administered programs. The administration's budget for the program year ending June 30, 1985, is over $3.6 billion.

THE STATE AND LOCAL DELIVERY SYSTEM

The administration of JTPA is the responsibility of the state governors who share their authority with a State Job Training Coordinating Council that they appoint. The council's overall functions are to plan, coordinate, and monitor state employment and training programs. The governors, based on recommendations by the state council, divide their states into SDAs through which job training services are delivered. SDAs may include the entire state or one or more units of local government.

Each SDA must have a private industry council (PIC), consisting of local business leaders--who are to make up a majority of the membership--and representatives of educational agencies, organized labor, rehabilitation agencies, community-based organizations (CBOs), economic development agencies, and the public employment service. Appointed by the chief local elected officials, the PICs provide overall policy guidance and oversight in partnership with these local officials. In addition, the PICs, in accordance with agreements with the chief elected officials, determine procedures for developing a job training plan and selecting a grant recipient and an organization to administer the plan.

OBJECTIVES, SCOPE, AND METHODOLOGY

Because of the magnitude and importance of the JTPA program to the federal government's employment and training efforts and because of the interest expressed by the Congress, we undertook a review of the state and local delivery systems which had been

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[1]A program year begins on July 1 and ends on June 30 of the following year.

organized during the 1-year transition period and implemented in October 1983. The objectives of our study were (1) to learn how the JTPA program operates and to build a solid knowledge base needed in the future to carry out our oversight responsibilities provided in the act and (2) to provide the Congress with information on how the states and SDAs were organizing and implementing their JTPA programs.

We concentrated our efforts primarily on state and local delivery systems established under title I and on the title II-A program for disadvantaged youth and adults, which is the largest of the several programs authorized under JTPA in terms of the number of participants and amount of funding.

We gathered state-level information through a questionnaire mailed to 43 states, the District of Columbia, and the 6 territories. All of these entities responded to our questionnaire. We also visited the seven other states and obtained the questionnaire information through interviews with state officials and a review of program records. The seven states visited--Florida, Indiana, Maryland, Massachusetts, Nevada, Ohio, and South Carolina--were selected to attain some measure of geographic balance. In addition, several other organizations were conducting studies of JTPA, and our choice was influenced by the state selections they had made. We attempted to minimize visits to states selected by other organizations. Moreover, South Carolina was selected because it is a single, statewide SDA.

For each state, we obtained information on the makeup and structure of its coordinating councils and administrative agencies, coordination requirements and program activities, SDA designations, management information systems (MISs), plans for biennial financial and compliance audits, and program monitoring and evaluation.

We visited two SDAs in each state selected, except for South Carolina, which is a single, statewide SDA. Although we did not visit state officials in California, we visited two SDAs in that state because of the size of its program--it ranks first in population and in JTPA funding and contains the most SDAs (50)--and to provide wider geographic coverage. We did not visit the California state JTPA administrative agency because it had already been selected for visits by two other study groups.

While our sample of SDAs visited was limited--15 of 594 SDAs--we were able to supplement our data, for the most part, with comprehensive data developed in a study conducted by the

National Alliance of Business (NAB).[2] The NAB study,[3] which gathered information on PIC and SDA activities nationwide, was conducted in September and October 1983 using a structured telephone interview, consisting of 74 questions. It included 583 of the 594 SDAs.

Our SDA visits were undertaken for the purpose of better understanding how the JTPA program was operating at the SDA level. At each of the SDAs visited, we interviewed JTPA program officials and reviewed documents and records to obtain information on the SDA designation process; PIC structure and membership; grant recipient and administrative entity data; applicant and participant assessment; participant services provided; coordination, monitoring, and evaluation plans; and MIS. Appendix III contains a list of the SDAs visited.

We also met with Labor program officials in Washington, D.C., and at the Labor regional offices in Atlanta, Boston, Philadelphia, and San Francisco, who had oversight responsibility for the states we visited. We reviewed pertinent legislation, including the legislative history of JTPA, and Labor regulations and bulletins.

We coordinated our study with other organizations conducting studies or otherwise interested in the JTPA program, including Labor, NAB, the National Commission for Employment Policy, the National Governors' Association, and the National Association of Counties.

Our fieldwork was conducted during October 1983 to February 1984. We provided congressional briefings in April 1984 based on a preliminary analysis of the data collected and completed our analysis in August 1984. Our review was done in accordance with generally accepted government audit standards.

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[2]NAB is an independent, nonprofit, business-oriented corporation working in partnership with government to promote business activities associated with the employment and training of the disadvantaged. Under a contract with Labor, NAB provides training and technical assistance to SDAs and the business sector to improve JTPA training programs and to increase business support and involvement in JTPA.

[3]An Overview of the New Job Training System, Survey Report I, National Alliance of Business, January 1984.

This report provides an overview of the JTPA program and information on how it is being organized and implemented at the state and local level. It contains the results from the first of a series of studies we plan to undertake on JTPA. Later studies will focus on specific aspects of how the program is being carried out and the results being achieved.

CHAPTER 2

STATE JTPA PROGRAM ORGANIZATION

Under JTPA, the major state-level responsibilities are borne by the governor and the State Job Training Coordinating Council, which is appointed by the governor. Among other things, the governor designates local SDAs, certifies local PICs, allocates title II-A funds to SDAs, approves local training plans, prescribes adjustments to Labor's performance standards, determines use of special title II-A funding for state education agencies and older worker programs, designates the state agency(s) responsible for administering JTPA, and submits annually to Labor a 2-year coordination and special services plan describing resource usage. The state council advises the governor how to best fulfill these responsibilities. This chapter describes how the states were carrying out their responsibilities during the initial 9-month period.

Our review showed that:

--With minor exceptions, the governors had appointed state councils in accordance with the composition requirements of the act.

--Governors typically selected one state agency, usually one with labor-type functions or with employment and training responsibilities, to administer all JTPA funds.

--The SDA designation process proceeded, for the most part, without major problems.

--States' approaches to implementing state education coordination and older worker programs varied.

--JTPA administrative agencies in most states had begun entering into coordination agreements with some programs, but many had not yet entered into such agreements with secondary education, vocational training, or public assistance agencies.

STATE COUNCILS

The state council, although given broad responsibilities, serves in an advisory capacity, with all its plans and decisions subject to the governor's approval. The council may not operate programs or provide services directly to program participants;

however, the council may hire professional, technical, and clerical personnel to carry out its functions.[1]

Although the governor appoints the state council members, the act specifies membership composition and requires that the chairperson, designated by the governor, be a nongovernmental member. The membership must be

--one-third from business and industry (private sector);[2]

--at least 20 percent from the state legislature and state agencies;

--at least 20 percent from local government units or consortia of local government units; and

--at least 20 percent from a general sector consisting of the eligible population, general public, organized labor, CBOs, and local education agencies.

The act does not specify requirements for the size of the council, minority or female membership, or the size of business represented by the private sector members.

We found that governors generally had appointed members to state councils that met the act's membership requirements. At the time of our fieldwork, all 57 councils met the requirement that one-third of their membership come from the private sector.[3] However, 5 councils had members from state government constituting less than the required 20 percent, 10 councils had less than 20 percent of their members from local governments,

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[1]The state council's specific functions include recommending a state coordination and special services plan, proposing SDA geographical boundaries, planning the use of funds not directly allocated to SDAs by formula, providing management guidance and program review, advising the governor on SDA job training plans submitted for approval, and reviewing and commenting on state employment service plans.

[2]Private sector members must be owners, chief executives, or chief operating officers of private, for-profit employers and major nongovernmental employers, such as health and educational institutions, or other executives of such employers who have substantial management or policy responsibility.

[3]In citing statistics on responses to our questionnaire, the 50 states, the District of Columbia, and the 6 territories are referred to collectively as states.

and 5 councils had less than 20 percent of their membership coming from the general sector.

State councils ranged in size from a low of 11 members in Montana to a high of 52 in South Carolina and Arkansas. Total membership for the 57 councils was 1,740. The average council consisted of 32 members. As shown in table 1, about 37 percent of the council members were from the private sector, 22 percent were from state government, 19 percent from local government, and 23 percent from the general sector.

In total, 636 private sector volunteers were serving on state councils. Owners and chief executives comprised over one-half of the private sector members, indicating significant involvement from a high level within the business community. Members from CBOs and organized labor each comprised over one-fifth of the general sector members.

Table 1

Membership of State Job Training Coordinating Councils

Type member	Percent of all members
PRIVATE SECTOR	
Owner	10.1
Chief executive-profit	9.5
Chief executive-nonprofit	1.8
Other executive-profit	14.3
Other executive-nonprofit	0.9
Total from this sector	36.6
STATE GOVERNMENT SECTOR	
Legislature	6.2
Agency/organization	14.8
Other	0.9
Total from this sector	21.9
LOCAL GOVERNMENT SECTOR	
Single unit	13.5
Consortium of units	4.3
Other	0.9
Total from this sector	18.7
DESIGNATED SECTOR	
Eligible population	2.7
General public	3.3
Organized labor	5.1
CBO	5.1
Local educational agency	5.5
Other	1.1
Total from this sector	22.8
TOTAL MEMBERS	100.0

As shown in table 2, most state council chairpersons came from private, for-profit businesses. Over 70 percent were either business owners, presidents, chairpersons, or vice presidents in their businesses. Chairpersons most often came from manufacturing businesses (19 percent) or finance/insurance/real estate (19 percent), and about 53 percent of the chairpersons came from businesses or organizations with more than 500 employees.

Table 2

State Council Chairperson Characteristics

	Number	Percent
Type organization:		
Private, for-profit business[a]	50	88
Nonprofit, nongovernmental employer	5	9
Other[b]	2	3
Total	57	100
Chairperson's role:		
Owner	16	28
President or chairperson	13	23
Vice president	12	21
Plant manager	1	2
Department director	2	3
Administrator	2	3
Other	11	20
Total	57	100
Type business/organization:		
Manufacturing	11	19
Wholesale, retail	7	13
Health care, social work, law, education	3	5
Finance, insurance, real estate	11	19
Transportation, utilities	6	11
Mining, construction	3	5
Hospitality/entertainment	2	3
Other	14	25
Total	57	100
Size of business/organization:		
Large (over 500 employees)	30	53
Small (500 or fewer employees)	25	44
Other[b]	2	3
Total	57	100

[a]In the Trust Territory of the Pacific Islands, the state council is chaired by an executive committee of three persons, one representing each of the constitutional governments.

[b]Two chairpersons were retired.

Most state councils, rather than hiring their own staff, relied on staff of the state JTPA administrative agency. Only 15 councils had staff reporting exclusively to the council, and in at least one instance, the staff actually were state administrative agency employees assigned to the council. For these 15 councils, the number of full-time equivalent staff ranged from 1 in New Hampshire and New Mexico to 12 in Florida, New Jersey, and New York. The average council staff comprised about five members.

As shown in table 3, 52 state councils plan to hold regularly scheduled meetings at least quarterly.

Table 3

Planned Frequency of State Council Meetings

Frequency	Number of states	Percent of states
Monthly	16	28
Bimonthly	16	28
Quarterly	20	35
Semiannually	2	3
Annually	1	2
As necessary	1	2
Undecided	1	2
Total	57	100

Forty-two states permit alternates to attend council meetings in place of regular members, and 22 of the 42 allow alternates to cast votes.

The actual level of activity by council members may not be reflected by the planned frequency of regular council meetings. Some councils have set up subcommittees, some of which meet more frequently than the full council. Examples of the various functions on which these subcommittees focus appear in table 4. Some subcommittees focus on only one area, while others may focus on several areas.

Table 4

Subcommittees Frequently Formed by State Councils

Subcommittee focus/function	Number of states
Executive committee	40
Business/economic development	9
Job training	14
Education coordination	16
Human services coordination	15
Performance standards/monitoring/ evaluation	35
Labor information	10
Job training plan review	21
Communications/marketing	12
Dislocated workers	11
Youth	9

STATE JTPA ADMINISTRATIVE AGENCIES

In most states, we found that the governor designated one agency to administer all JTPA funds. However, governors in three states designated two administrative entities, each responsible for, or sharing responsibility for, the different funding allocations identified in the act. For example, the Michigan Department of Labor was given responsibility for the basic title II-A allocation to SDAs and for the summer youth program (title II-B), but the governor's office retained administrative responsibility over title II-A set-asides for older workers and education coordination and over the dislocated worker program (title III). In North Dakota, administrative responsibility was split between the employment service--responsible for the SDA allocation and the summer youth program--and the state council--responsible for all other funds. In South Dakota, administrative responsibilities were split between the Department of Labor and the governor's office.

Among the 54 states with one administrative agency, 23 governors chose agencies with broad labor-type functions, including the employment service, to administer all JTPA funds. Thirteen governors chose employment and training agencies, sometimes located in the governor's office, without the broad responsibilities of a labor-type agency; 10 chose economic and community affairs agencies; and 3 chose human resource agencies that encompass public assistance as well as labor-type functions. Five chose other types of agencies, such as Iowa's Office of Planning and Programming; New Hampshire's Job Training Councils, a

private corporation; Oregon's Executive Department, Intergovernmental Relations Division; and Puerto Rico's Office of Economic Opportunity.

In 32 states the primary state administrative agency was the same agency which had administered the CETA balance-of-state program.[4] Seventeen other states said the administrative agency was a reorganized successor to the CETA administrative agency. Eight states reported to us that the agency was an entirely new one. Professional JTPA staff positions (full-time equivalents) in state agencies ranged from 1 for the Northern Mariana Islands to 157 in New York. About one-half of the agencies had 25 or fewer professional JTPA staff, and the average for all states was about 33.

SDA DESIGNATIONS

JTPA empowers the governor to designate SDA boundaries, but within certain restrictions specified in the act. The designation process resulted in more SDAs than had been anticipated. The process apparently proceeded without major disruptions, although disputes in Puerto Rico, Maine, and New Hampshire resulted in court actions.

Each SDA must (1) comprise either the entire state or one or more local government units, (2) promote effective job training services, and (3) be consistent with labor market areas,[5] or standard metropolitan statistical areas, or areas in which related services are provided under other state or federal programs.

From its national survey, NAB found that about 61 percent of all SDAs had geographical boundaries coinciding with at least one other substate service area, such as local education districts, economic development or planning areas, and employment service areas. About two-thirds of the SDAs included at least one labor market area; of these SDAs, slightly more than two-thirds had boundaries identical to at least one entire labor market area.

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[4]A balance-of-state area was a large geographical area not divided into local SDAs for which the state acted as the prime sponsor under CETA.

[5]The act defines labor market area as an economically integrated geographic area within which individuals can reside and find employment within a reasonable distance or can readily change employment without changing their place of residence.

Balanced against the governor's broad powers, certain local areas were given the right to request and receive SDA designation automatically. These included (1) any local government unit with a population of at least 200,000, (2) any consortium of contiguous local government units having a population of at least 200,000 and proposing to serve a substantial part of a labor market area, or (3) any rural concentrated employment program grantee which served as a prime sponsor under CETA. Requests also may be submitted by a local government unit, or a consortium of units, with a population of less than 200,000 proposing to serve a substantial portion of a labor market area; however, the governor is not required to approve such requests.

NAB also found from its national survey that one-quarter of the SDAs had fewer than the 200,000 persons necessary for automatic designation. More than half represented areas with populations under 300,000.

Types of SDAs

Although JTPA was expected to result in fewer delivery areas than existed under CETA, the number nationwide increased from approximately 470 prime sponsors under CETA to 594 SDAs under JTPA, due primarily to the breakup of large CETA balance-of-state areas. A total of 581 SDAs were designated within the 50 states, and the other 13 SDAs are located in the District of Columbia and the 6 territories. See appendix I for more details. As shown in table 5, about 30 percent of the SDAs were comprised of single local government units, 65 percent were local government consortia, and 5 percent were statewide or balance-of-state SDAs.

Table 5

Types of SDAs[a]

Type SDA	Total SDAs Number	Percent
Single local jurisdiction:		
Single county	121	20.4
Balance of county	22	3.7
Single city	34	5.7
Subtotal	177	29.8
Multiple local jurisdictions:		
County consortium	285	48.0
City consortium	19	3.2
County/city consortium	62	10.4
Other local consortia	21	3.5
Subtotal	387	65.1
State jurisdiction:		
Statewide	11	1.9
Balance of state	13	2.2
Other[b]	6	1.0
Subtotal	30	5.1
Total	594	100.0

[a]See appendix I for a state-by-state breakdown of types of SDAs.

[b]These six SDAs are in the Trust Territory of the Pacific Islands and include two republics and four states within the Federation of States.

We visited one single, statewide SDA--South Carolina--which also had been a statewide prime sponsor under CETA. Although classified as a single SDA, South Carolina has subdivided the state and in effect operates like a state with four local SDAs and a large balance-of-state SDA, the same configuration used under CETA. The four SDA-like subareas were three single counties and one county consortium. Each subarea receives a subgrant from the state and has its own PIC, which makes planning and programmatic determinations based on agreements with the governor. Each subgrantee submits job training plans to the state and enters into service contracts for its own area. The state government operates the JTPA program in the remainder of the state.

Designation process had few serious problems

Given JTPA's abrupt change from CETA in the mechanism and criteria for designating local SDAs, some disagreement and compromise in the SDA designation process and perhaps some uneasiness about the results could have been expected. However, as a whole, the process appears to have transpired relatively smoothly--88 percent of the states reported to us that they were extremely or moderately satisfied with the results.

A few states were concerned whether the smaller SDAs would have enough administrative funds to operate effectively, and several states said natural labor markets had been fragmented because some local governments had exercised their right to become separate SDAs. Disputes resulting in court action occurred in Puerto Rico, New Hampshire, and Maine. The major issue in these disputes centered on the criteria under which governors must approve requests for SDA status from local government consortia. Although seemingly clear-cut, the criteria proved controversial.

At issue in each case was the provision making designation compulsory if a consortium proposes to serve a substantial part of a labor market area. In Puerto Rico, New Hampshire, and Maine--all of which contain more than one labor market area--the governors successfully argued that an SDA proposing to serve more than one labor market area does not qualify for compulsory designation. The events and decisions in the Puerto Rico case exemplify the issue.

The Governor of Puerto Rico proposed designating the entire territory as a single SDA. Five consortia with populations exceeding 200,000 requested designation, but the governor denied all five requests, contending none qualified for compulsory designation because each covered more than one labor market area. The consortia appealed to the Secretary of Labor. He upheld the governor's denials of three consortia's requests but ruled that two consortia qualified for compulsory designation because they proposed to serve a substantial portion of multiple labor market areas.

The governor appealed in federal court,[6] and in November 1983, the court reversed the Secretary's decision, ruling that governors may deny requests from consortia proposing to serve more than one labor market area. If consortia were allowed to do so, the court concluded, diffuse and unwieldly consortia

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[6]722 F. 2d, 882 (First Cir. 1983).

could demand SDA designation and conceivably foreclose the governor's participation in planning at the state level.

STATE PROGRAMS

Seventy-eight percent of title II-A funds is allocated to local SDA programs. From the remaining 22 percent, 5 percent is set aside to fund state administrative costs, 6 percent is set aside for states to provide incentive grants and technical assistance to SDAs, 8 percent is for state education coordination programs, and 3 percent is for state older worker programs. This section describes generally how states were implementing their education coordination and older worker programs.

Education coordination programs

Eight percent of each state's title II-A funds are set aside for grants to state education agencies to provide education and training to eligible participants through cooperative agreements among the state education agencies, local SDA administrators, and if appropriate, local education agencies. If cooperative agreements are not reached, the state may fund activities contained in the governor's coordination and special services plan, such as providing technical assistance to SDAs and carrying out special model training and employment programs.

At the time of our fieldwork, 42 states reported that for the first 9 months of JTPA, they were spending at least part of the funds to provide training services through cooperative agreements, 44 were using some of the funds to coordinate service delivery, and 25 were spending part of the funds for governors' coordination and special services activities. For program year 1984, 18 states were undecided on how to use the funds; however, 30 states planned to use at least part of the funds to provide services through cooperative agreements, 33 planned to spend some of the funds to coordinate service delivery, and 18 planned to spend part of the funds on activities in the governors' plans.

States are taking a variety of approaches in administering the education coordination funds. The degree of involvement of state and local education agencies and the services provided may differ from state to state. For example, in Florida, the state JTPA administrative agency granted the first 9 months' funds to the state's Department of Education. In turn, the department awarded the funds directly to local education agencies, but only after an agreement on services needed had been reached by the department, the local PIC, the local administrative entity, and the local education agency. Services provided could include any permissible title II-A services.

In contrast, in New Jersey, the state JTPA administrative agency awarded the first 9 months' funds directly to the SDAs, but only after they had submitted service plans prepared jointly with and agreed to by the Departments of Education and Higher Education. Local education agencies were not party to the agreements. A committee composed of the Commissioner of Labor, the Commissioner of Education, the Chancellor of Higher Education, and the Chairperson of the State Job Training Coordinating Council had to approve each plan before the state's Department of Labor could award funds to an SDA. Classroom training had to account for over 50 percent of each participant's scheduled time, and the funds could not be used for specialized labor market information surveys, vocational exploration, high school equivalency instruction, employment generating activities, or job search assistance.

Older worker programs

Three percent of title II-A funds are set aside to provide job training programs for economically disadvantaged persons age 55 or older. The state, after consulting with PICs and local government officials, is to enter agreements with public agencies, nonprofit private organizations, and private businesses to provide services for older individuals. At the time of our survey, only four states were undecided about plans for using the funds during the first 9 months, but 26 were undecided about program year 1984. States' plans for using the money can differ greatly from state to state.

For example, during the first 9 months, Ohio planned to award 95 percent of the funds directly to SDAs and retain 5 percent to fund demonstration programs with the State Commission on Aging. Each SDA's award was contingent upon showing it had coordinated with the Area Agency on Aging.

Arkansas, on the other hand, awarded the older worker program funds to a private, nonprofit corporation specializing in service to older individuals. With these funds, the corporation was to (1) develop a statewide marketing strategy for advocating the value of older workers; (2) provide a full range of employment services, including intake, assessment, counseling, job development, and job referral; (3) develop training programs emphasizing upgrading and retraining through classroom training, on-the-job training (OJT), and job clubs; and (4) develop and coordinate a network of public and private entities to form a comprehensive employment delivery system for older workers. The corporation's regional offices were to be collocated with eight Area Agency on Aging offices.

STATE COORDINATION

JTPA emphasizes achieving within each state a coordinated employment, training, and vocational education system. According to the act, such a system should integrate employment, training, vocational education, rehabilitation services, public assistance, economic development, and other related programs into a comprehensive delivery system. Because of this emphasis, each state is responsible for achieving coordination of JTPA activities with related state and local programs.

Results at the state level

To indicate the degree of coordination activity occurring at the state level, we asked each state JTPA administrative agency to identify the types of agencies with which it had made formal or informal program coordination agreements or arrangements. Table 6 on page 20 summarizes the extent to which state JTPA agencies had made coordination agreements or arrangements with other state agencies.

Forty-four states reported that they had made new agreements of some type with at least one other agency. While many agreements were of an informal or unwritten nature, most were formal and included both financial and nonfinancial agreements.

As shown in table 6, a substantial number of states had no agreements or arrangements with such agencies as secondary education, vocational training, public assistance, or economic development. We realize our data were collected early in the program, when numerous programmatic activities and decisions occupied the attention of program officials. Thus, coordination efforts may not have received high priority initially; however, such efforts may evolve over time. If they do not, the comprehensive integrated service delivery system envisioned by the act may not be achieved.

Table 6

Extent to Which State JTPA Agencies Made Coordination Agreements/Arrangements With Other State Agencies

Type of agency	Number of states with new agreements/ arrangements	Number of states with no new agreements/ arrangements	Total
Secondary education	27	30	57
Postsecondary education	25	32	57
Vocational training	27	30	57
Public assistance	31	26	57
Employment service	30	27	57
Rehabilitation	20	37	57
Economic development	28	29	57

Results of state coordination criteria at the SDA level

JTPA's coordination emphasis also applies to SDAs. The law requires an SDA to describe in its job training plan how it will comply with the governor's coordination requirements. We asked the states to provide examples of significant local coordination accomplishments. The states provided relatively few specific examples, and some states reported not enough time had elapsed for meaningful local coordination to develop in some required areas. Several states, however, provided useful examples.

--In three Colorado counties, JTPA and the Employment Service are administered by the same county structure.

--Five SDAs serve the metropolitan Denver labor market area, and their PICs meet regularly to discuss coordination. Two of the SDA program administrators are collocated with the Employment Service Office on the boundary between the two SDAs.

--All Colorado SDAs have been required to join with the Employment Service, vocational education, and vocational rehabilitation to form a coordinated employer relations program.

--In New Jersey, the Employment Service does the intake for all but one SDA. Also, SDAs have made arrangements with economic development agencies to be notified of economic development activities in order to target training for them. Four SDAs which share one labor market area have established a labor market advisory committee which meets regularly.

--In Georgia, neighboring SDAs are arranging to take applications for one another as a convenience to applicants.

--In Kentucky, two SDAs which share a labor market area both have the same administrative entity.

We found that 14 of the 15 SDAs we visited had established some type of coordination arrangements with other agencies. The other SDA was in the process of establishing such arrangements. As shown in table 7, most SDAs had arrangements through which various agencies could provide input to their planning process and SDA and agency staff could meet to keep each other informed and to coordinate their efforts. Generally, these types of coordination agreements were more common than formal agreements for client referral. It is possible, however, that informal working arrangements had been made. For example, one SDA said it had made informal working arrangements for client referral with the Employment Service, a public assistance agency, and public schools.

Table 7

Number of SDAs Visited by GAO Coordinating With Other Agencies

Type of coordination	Number of SDAs coordinating with this type of agency							
	Employment service	Public assistance	Vocational education	Other public education	Proprietary schools	Economic development agencies	Vocational rehabilitation	CBO
Agency has input into the SDA's planning process	14	11	10	13	5	12	12	14
SDA and agency staff meet at least annually to keep each informed and to coordinate efforts	13	11	11	12	5	12	12	12
Formal client referral agreement	12	5	6	8	3	4	7	11

Officials in several SDAs pointed out a number of areas in which we believe coordination could be improved. They provided the following examples.

--Many local education agencies have been reluctant to restructure their curricula and create more intensive, shorter term training to meet the immediate job needs of the economically disadvantaged. Some are also reluctant to accept job placement responsibility. They see themselves as trainers not "placers."

--Economic development agencies often are unwilling to bring employment and training agencies into the early stages of development negotiations because of their sensitive and volatile nature. This inhibits long-range planning and budgeting and tends to reduce SDA's ability to encourage favorable development decisions.

--One SDA had no systematic coordination with CBOs. Neither the SDA nor any CBOs had attempted to establish such coordination, and the SDA had no plans to initiate such an attempt.

--One SDA said it needed to meet with several agencies to encourage regularly scheduled joint meetings, more planning input from other agencies, and a unified referral system among all the agencies involved.

--A county consortium SDA had difficulty coordinating with the welfare agency because each county had its own welfare office. This resulted in fragmented coordination, with each county welfare office having a separate agreement with the SDA.

--One SDA said enrolling the handicapped was difficult because the vocational rehabilitation agency must, as required by the governor, test all handicapped JTPA applicants for vocational rehabilitation eligibility, a process which takes 2 to 3 months.

--Another SDA said coordination with public assistance and rehabilitation agencies for client referral needed improvement.

LABOR COMMENTS

In commenting on this chapter, Labor said that page 19 presented a bias that adequate coordination could not take place without formal, written agreements. We agree that coordination agreements or arrangements do not necessarily have to be formal or in written form to insure effective coordination. Our report was changed to reflect that we found that many states had neither written nor unwritten agreements or arrangements for coordination with other state agencies responsible for related programs.

CHAPTER 3

SDA PROGRAM ORGANIZATION AND SERVICE

DELIVERY TO CLIENTS

One JTPA aim is to forge a partnership between local government and the private sector. In this pursuit, JTPA outlines major responsibilities for local elected officials and for PICs. Local elected officials help determine SDA boundaries and select PIC members. As partners, they jointly select a grant recipient--the entity which receives funds directly from the state and is thus financially liable for disallowed costs--and an administrative entity to run the day-to-day operations of the local program. The PIC, with the approval of local elected officials, submits a job training plan to the state which identifies local employment and training needs and a delivery system for meeting those needs.

Our review showed that:

--The 15 SDAs we visited had appointed PICs which met the composition requirements of the act.

--Grant recipients most often were local government units. Their selection had been influenced by the financial liability imposed by the act on the grant recipient.

--Typically, the grant recipient also administered the day-to-day operations of the local program.

--According to NAB, high school dropouts and welfare recipients were the two population groups most frequently targeted for service.

--Over one-third of the SDAs we visited anticipated difficulty spending the funds which the act targets to youth.

--Most of the SDAs we visited performed preenrollment assessments of basic skills, motivation, employability skills, and vocational aptitudes or interests.

--Most of the SDAs we visited planned to spend less than the act allows for participant support. Ten of the SDAs offered needs-based payments.

--Most service providers at the SDAs we visited had provided services under CETA.

--CBOs were chosen more frequently than any other type of organization to provide services.

--Over one-half of the contract awards made by the SDAs were for classroom skills training or for OJT.

--Almost one-half of the contract awards were fixed unit price, performance-based contracts.

--A potential shortage of SDA administrative funds has been eased in many states because, in the absence of direction from either the act or regulations, the states have adopted policies classifying participant outreach, recruitment, and/or eligibility determination costs as training costs.

PIC MEMBERSHIP

Local elected officials appoint PIC members, subject to approval by the state. A PIC's membership must meet the following composition requirements set forth by the act:

--A majority must be private sector representatives who are business owners, chief executives, or chief operating officers of nongovernmental employers, or other executives who have substantial management or policy responsibility. Whenever possible, at least one-half of private sector members should be representatives of small business, including minority businesses.[1]

--Each PIC must also include general sector representatives from local education agencies, organized labor, rehabilitation agencies, CBOs, economic development agencies, and the public employment service.

The PIC membership in the 15 SDAs we visited complied with the act's requirements. All met or exceeded the requirement that a majority be representatives of the private sector. All PICs had members representing the various general sector organizations specified in the act, except that one SDA had no public employment service representative. However, according to an SDA official, this vacant position was due to be filled.

PIC membership for the 15 SDAs ranged from 19 members in one single county SDA to 52 members in South Carolina, a statewide SDA. As shown in table 8, the average PIC had about 30 members, 58 percent of whom were private sector representatives.

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[1]Small business is defined as one with 500 or fewer employees. Minority business is not defined by the act or implementing regulations.

On an individual SDA basis, private sector representation ranged from a low of 50 percent in South Carolina to a high of 82 percent in the Baltimore Metro Consortium. Overall about 69 percent of the private sector members were owners, presidents, vice presidents, or chairpersons in their businesses, indicating involvement from a high level within the local business community. Almost 70 percent of the private sector members came from small businesses.

Thirteen of the 15 SDAs we visited had PIC members from small minority businesses. They constituted from 2 to 19 percent of PIC membership. Two SDAs also had PIC members from large minority businesses.

Table 8
PIC Membership Composition for 15
SDAs Visited by GAO

Sector	Percent membership
Private sector	
Small minority business	7.4
Large minority business	0.6
Small nonminority business	33.0
Large nonminority business	15.5
Nongovernment, nonprofit employer	1.3
Subtotal	57.8
General sector	
Education	11.4
Organized labor	5.7
Rehabilitation	3.1
CBO	8.3
Economic development	5.2
Public employment	2.8
Other	5.7
Subtotal	42.2
Total	100.0
(Total members)	(458)
(Average PIC size)	(30)

The above PIC membership patterns closely resembled the patterns reported by NAB from its nationwide survey. NAB found that PIC membership in the 50 states ranged from a low of 10 in one rural SDA to a high of 134 in a large consortium SDA. NAB reported that the average PIC consisted of 25 members, 56 percent of whom were business community representatives. About 12 percent of PIC members were from education agencies and 8 percent from CBOs.

The PIC chairpersons in 13 of the 15 SDAs we visited were from private, for-profit businesses. Of the remaining two chairpersons, one was from a Federal Reserve bank, and one from the Chamber of Commerce. Nine of the chairpersons were from large businesses employing 500 or more, and 11 chairpersons occupied major private sector, policymaking positions, such as owner, president, vice president, or board chairperson.

GRANT RECIPIENTS ARE USUALLY LOCAL GOVERNMENTS

PICs and local elected officials jointly designate an entity to serve as grant recipient. The act does not restrict the type of agency which may be designated, but it does impose on the grant recipient responsibility for repaying costs disallowed during audits.

Governmental units were most often appointed as grant recipients. In 10 of the 15 SDAs we visited, local government units were the grant recipients, and, in South Carolina, a statewide SDA, the state government was the grant recipient. Ten SDAs said that the financial liability imposed on the grant recipient had influenced the selection of a governmental unit as recipient because governments, through their taxation powers, have access to resources to repay audit disallowances.

PICs in three SDAs had chosen to become the grant recipient. Their primary reason was to maintain control over program funds and activities. In the other SDA, a CBO had been selected as the grant recipient. In that particular case, a local government unit, the PIC, and a local education agency each had rejected the grant recipient role because of financial liability.

Two of the three PIC grant recipients appeared to have adequate resources to cover their liability--one had purchased liability insurance to cover audit disallowances and the other had been underwritten by a local government consortium. The third PIC, however, had neither assets nor liability insurance. Officials of that SDA said the liability issue was addressed by requiring service providers to contractually accept full liability. In the case of the CBO grant recipient, although it had

about $135,000 in assets, an official said the assets were probably insufficient for JTPA because the CBO was also financially responsible for several other federally funded programs.

Once again, our findings were consistent generally with the results of NAB's nationwide survey. NAB found that about 65 percent (377) of the SDAs had selected local governments as grant recipients and about 10 percent (57) had selected PICs. (See table 9 below.) NAB reported that several factors may account for relatively few PICs acting as grant recipients. First, state laws sometimes make it difficult for PICs to receive funds directly from the governor. For example, NAB reported that Massachusetts state law prohibits providing funds to nongovernmental entities before costs are incurred. Second, many PICs, especially the smaller ones, did not yet have the management and fiscal systems to act effectively as grant recipients.[2] And third, some local governments were reluctant to share authority over JTPA funds.

Table 9

Findings of NAB Survey on Distribution of Grant Recipients and Program Administrators for SDAs

	Grant recipient only	Program administrator only	Grant recipient and program administrator	Total SDAs selecting entity to be: Grant recipient Number	Grant recipient Percent	Program administrator Number	Program administrator Percent
Local government	82	38	295	377	64.6	333	57.1
PIC	14	31	43	57	9.8	74	12.7
State	4	5	39	43	7.4	44	7.5
Educational institution	3	3	25	28	4.8	28	4.8
Private, non-profit	2	0	25	27	4.6	25	4.3
CBO	0	4	22	22	3.8	26	4.5
Other/not yet determined	7	31	23	30	5.1	54	9.3
Total	112	112	472				

[2]Lack of adequate management and fiscal systems is especially significant in light of the financial liability imposed on grant recipients.

ADMINISTRATIVE ENTITY IS USUALLY THE GRANT RECIPIENT

In addition to jointly selecting the SDA grant recipient, the PIC and local elected officials select an entity to manage and administer day-to-day operations of the program. Nine of the 15 SDAs we visited had selected governmental units as program administrators, of which 8 were also grant recipients; 4 SDAs had selected PICs, of which 2 were also grant recipients; and 2 SDAs had selected CBOs, of which 1 was a grant recipient. In total, 11 program administrators were also grant recipients.

These results were relatively consistent with NAB's nationwide survey results. As shown in table 9 above, 472 of the SDAs had designated the same entity as both grant recipient and program administrator. Also, 333 of the SDAs had selected local governments as program administrators, of which 295 were also grant recipients; and another 74 had selected PICs as program administrators, of which 43 were also grant recipients.

NAB found that states were functioning as program administrators in 44 of the SDAs, of which 39 had also selected the state as grant recipient. States most often played this role when they contained four or fewer SDAs or very large rural areas. Educational institutions; private, nonprofit entities; and CBOs each served as program administrators in less than 5 percent of the SDAs, and in most cases, they also served as grant recipient.

TARGETING GROUPS TO BE SERVED

Under title II-A, states pass along 78 percent of their funding to SDAs for adult and youth training programs. The act specifies several restrictions on the clientele served by SDAs.

--At least 90 percent of the participants must be economically disadvantaged.[3]

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[3]An economically disadvantaged individual is one who (1) receives cash welfare payments or is a member of a recipient family; (2) has a preapplication, 6-month total income (exclusive of unemployment compensation, child support payments, or welfare payments) not in excess of the Office of Management and Budget's (OMB's) poverty level criteria or 70 percent of the lower living standard income level, whichever is higher; (3) receives food stamps; (4) is a foster child; or (5) is a handicapped adult whose income meets the above requirements.

--Recipients of Aid to Families with Dependent Children and school dropouts ages 16 to 21 must be served in proportion to their incidence in the eligible population.

--Each SDA must spend at least 40 percent of its funds on youth, unless the ratio of economically disadvantaged youth to economically disadvantaged adults in the SDA differs from the national average, in which case the SDA may proportionally adjust its required service level, either higher or lower than 40 percent.

--Up to 10 percent of an SDA's participants may be persons not economically disadvantaged but who have encountered employment barriers, including those with limited English proficiency, displaced homemakers, school dropouts, teenage parents, the handicapped, older workers, veterans, offenders, alcoholics, or addicts.

NAB found in its national survey that high school dropouts and welfare recipients were the two population groups most frequently targeted. As shown in table 10, nearly 80 percent (462) of the SDAs targeted dropouts as a priority group while 75 percent (439) targeted welfare recipients. The lowest priority was dislocated workers, but many SDAs were anticipating receiving other funds from the state to serve dislocated and older workers.

Table 10

NAB's Findings on Client Targeting

Target groups identified by SDAs	Number of SDAs	Percent of SDAs
High school dropouts	462	79.2
Welfare recipients	439	75.3
In-school youth	403	69.1
Minorities	402	69.0
Handicapped	388	66.6
Older workers	321	55.1
Female heads of household	316	54.2
Veterans	291	49.2
Dislocated workers	237	40.7

The 15 SDAs we visited varied in their approaches to targeting. For example, one SDA did not formally identify any specific target groups other than youth in its job training plan. The other 14 SDAs identified specific target groups, but only 5 attached numerical enrollment goals to the groups.

In 10 of the 15 SDAs, the incidence of economically disadvantaged youth in the eligible population differed from the national average. As a result, the minimum expenditure level for youth was exactly 40 percent for only five SDAs. Of the other SDAs, seven had minimum expenditure levels above 40 percent--ranging from 42 to 52 percent--and three had minimum levels below 40 percent, those being 26, 32, and 39 percent.

The 15 SDAs had mixed opinions on the difficulty of meeting their minimum youth expenditure levels. Their opinions were not necessarily related to the size of their expenditure requirements. Three with minimum expenditure levels of 26, 40, and 44 percent were unsure whether the minimum level could be reached. Six SDAs with minimum levels ranging from 32 to 45 percent (5 of them at 40 percent or more) believed reaching the minimum would not be difficult. The six SDAs expecting difficulty had minimums ranging from about 39 to 52 percent, with five of them exceeding 40 percent. Comments from officials of some of these SDAs indicated that their problems may have been unique to the first 9 months of the program. In other cases, however, their comments indicated the possibility of continuing problems in serving youth under JTPA.

--One SDA manager said that the SDA's youth marketing program needed improvement; however, he also said that youth generally wanted training that included a paycheck and that such training was limited because the SDA no longer had a work experience program as it did under CETA. Youth seemed uninterested in preemployment skills training alone.

--In one SDA, adults carried over from CETA outnumbered youth 479 to 162, thus disproportionately weighting the program with adult clients, a problem which should be unique to the first 9 months. Also, according to an SDA official, the SDA's recruiting program needed improvement.

--One SDA's youth enrollment under CETA had exceeded 50 percent of total enrollment, and the SDA had been spending between 33 and 40 percent of its funding on youth. Under JTPA, the SDA's required spending on youth increased to about 52 percent. The SDA manager believed such a large jump in spending could not be made efficiently and effectively from one year to the next and should have been phased in over several years.

--Another SDA manager said that a large carry-over of adults from CETA had posed a problem. His SDA's emphasis was on placing adults in jobs rather than job training for youth.

SDAs we visited generally had entered into few contracts for serving only youth. More often youth were included in contracts for serving the general eligible population. In total, contracts for serving only youth amounted to about $7.7 million, or about 19 percent of total awards.

SELECTION OF INDIVIDUAL PARTICIPANTS

Some concern has been expressed in the employment and training community that certain features of JTPA may influence SDAs to enroll from the pool of eligible applicants those persons needing limited employment and training assistance rather than those needing more extensive assistance. While the act does not prohibit such a practice, there is a belief that it would result in inequitable treatment of some segments of the eligible population. We collected data on SDAs' participant selection methods. However, because of the newness of the program at the time of our review, we did not collect data which would allow us to determine whether the practice existed or whether it would be equitable.

Generally, JTPA identifies eligible participants as those who are economically disadvantaged, and it makes no finer distinction. Those within the eligible group may differ greatly in terms of the length, type, and amount of training needed, but they are all eligible to be selected for participation in the program. The differences among those eligible could range from those who have some occupational skill and need only minimal assistance in an area such as job search skills, to those who lack an occupational skill and proficiency in such basic skills as reading, writing, and mathematics. The existence or absence of such skills in a participant can have a direct impact on the nature, duration, and cost of the training provided.

Concern that certain features of JTPA may influence SDAs to select participants needing only limited assistance focuses on the following potential causes:

--Performance standards that focus on average costs per participant and job placement could influence SDAs to select persons needing only short-term training and who would be easier to place in jobs.

--Limits on participant support costs could influence SDAs to select persons needing only short-term training and thus less financial assistance during training.

In visits to 15 SDAs, we inquired about methods used to assess potential JTPA participants. Assessments fell into four general areas: basic skills, motivation, employability skills, and vocational interests and aptitudes. One SDA assessed these areas only for persons selected to participate in the program, but 14 assessed each of these areas for all eligible applicants.

Some SDAs used assessment results and target group goals to select participants. Their methods demonstrate how assessment results could be used to select persons most likely to succeed. They also show that assessment results can be used to select those most in need of assistance. For example, one SDA appeared to use basic skills assessment results to select participants most in need of remedial education assistance. The SDA had instituted a point system under which applicants received scores based on their socioeconomic characteristics and basic skills test results. One point was awarded for each target group into which an applicant fell, such as public assistance recipient, school dropout, single parent head of household, handicapped, limited English, migratory seasonal farmworker, offender, adults over age 45, displaced homemakers, and veterans. In addition, one point was awarded to persons whose basic reading and math skills were below the 6.5 grade level.

In another SDA, it appeared that assessment results were used to select participants needing limited employment and training assistance, rather than those needing more extensive assistance. This SDA, as did the one above, awarded points to applicants for belonging to certain groups, such as public assistance recipients, school dropouts, youth, ethnic groups, below poverty level, unemployed head of household, displaced homemakers, offenders, veterans, and those without occupational skills. But, balanced against these factors, the SDA awarded more points to persons with high assessment results than to those with low results. For example, results from basic skills tests were worth 1, 2, or 3 points depending on whether the results were rated as low, medium, or high, respectively. Also, an individual's work experience record could be worth 1, 2, or 4 points depending on whether it was rated as poor, fair, or good, respectively.

CLIENT SUPPORTIVE SERVICES AND NEEDS-BASED PAYMENTS

Under title II-A of JTPA, an SDA may spend up to 15 percent of its funds on administration and up to 30 percent on a combination of administrative costs and other nontraining costs generically termed "participant support" costs. Those SDAs requiring the full 15 percent for administrative costs are, in effect, limited to 15 percent for support costs. Participant support costs include

--100 percent of costs for supportive services, such as transportation, health care, child care, meals, temporary shelter, financial counseling, special handicapped services, and other services without which eligible persons could not participate;

--100 percent of all needs-based payments (allowances) necessary for participation as determined under locally developed formulas or procedures;

--50 percent of the costs of limited work experience programs;[4] and

--100 percent of the costs of all other work experience programs.

SDAs may obtain waivers to the 30-percent limitation from the governor under certain conditions; however, SDAs receiving waivers are not exempt from the performance standards.[5] This could discourage waiver requests. For example, an SDA spending 40 percent of its funding on a combination of administrative and support costs will likely train fewer people, thereby increasing the average cost per trainee entering employment.

We found that all of the SDAs we visited were providing either supportive services, needs-based payments,[6] or both. Nine provided some type of supportive service, while 10 offered needs-based payments. As shown in table 11, 12 SDAs budgeted

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[4]To qualify as limited work experience, the program must last not more than 6 months, be combined with a classroom or other training program, specify that participants cannot reenroll in work experience, specify the training program component in a preemployment contract or meet established academic standards, and pay wages not in excess of the prevailing entry-level wage for the same occupation in the same labor market area.

[5]The Chairman and the Ranking Minority Member, Subcommittee on Employment Opportunities, House Committee on Education and Labor, requested that we determine, among other things, the extent to which SDAs are requesting and receiving waivers to the 30-percent limitation.

[6]Needs-based payments are given to economically disadvantaged participants to offset, in general, the costs associated with taking training. We included in our definition those payments to participants specifically designated to be used for certain training-related supportive services, such as transportation and child care.

less than 15 percent for total participant support costs. To alleviate participants' support problems, half or more of the SDAs planned to find part-time jobs for participants, place participants in OJT as much as possible, and/or shorten the length of training programs. Seven SDAs planned to offer evening classes.

Table 11

15 SDAs' Plans for Providing Support Services, Needs-Based Payments, and Work Experience Chargeable Against the Support Cost Limit

SDA	Percent of JTPA funds budgeted for support costs											
	Supportive services								Needs-based payments	Work experience		Total
	Transportation	Child care	Health care	Handicap services	Meals	Shelter	Financial counseling	Sub-total		Limited	Other	
1	4.2	4.9	-	-	-	-	-	9.1	-	-	-	9.1
2	3.0	-	-	-	-	-	-	3.0	12.0	-	-	15.0
3	-	1.0	2.2	-	-	-	-	3.2	4.5	1.0	-	8.7
4	0.5	1.0	0.2	-	0.1	0.2	-	2.0	2.0	6.5	2.6	13.1
5	-	-	-	-	-	-	-	-	10.0	-	-	10.0
6	3.0	3.0	-	3.0	-	-	-	9.0	-	-	-	9.0
7	2.0	2.0	-	-	-	-	-	4.0	-	-	4.7	8.7
8	-	-	-	-	-	-	-	-	4.6	-	-	4.6
9	3.2	10.6	-	-	-	-	1.2	15.0	-	-	-	15.0
10	-	-	-	-	-	-	-	-	9.5	-	-	9.5
11	-	-	-	-	-	-	-	-	15.0	-	-	15.0
12	-	-	-	-	-	-	-	-	13.9	-	-	13.9
13	2.0	2.0	-	1.5	-	-	-	5.5	-	-	-	5.5
14	-	-	-	-	-	-	-	-	2.2	-	-	2.2
15	1.26	-	0.61	-	-	-	-	1.87	12.7	-	-	14.57
Average for 15 SDAs	1.28	1.6	0.2	0.3	0.01	0.01	0.1	3.5	5.8	0.5	0.5	10.3

In its national survey, NAB found that 85 percent (494) of the SDAs will provide some type of supportive service, while about 54 percent (315) will offer needs-based payments. Most respondents indicated, however, that such services or payments were minimal--child care assistance that lasted only during an enrollee's first week of OJT or training allowances that were far less than the minimum wage, such as $6 per day. About 39 percent (230) of the SDAs expected that some support services would be provided through other agencies or mechanisms.

NAB also found that 226 SDAs believed the limitation on participant support costs would result in increased use of OJT which helps alleviate support problems by providing income to participants. Also, 194 SDAs foresaw shorter training cycles, which would minimize the time participants must spend in programs that provide minimal support. NAB learned that 11 percent (69) of the SDAs were seeking a waiver of the support cost limitation and another 13 percent (80) were considering applying for a waiver.

The criteria for making needs-based payments varied greatly among the 10 SDAs offering such payments. Their approaches varied in (1) the amounts of payments, (2) the limits placed on total payments to an individual, and (3) the eligibility of individual participants to receive payments. These differences are illustrated in table 12.

Table 12
Data on Needs-Based Payments Provided
by 10 SDAs Visited by GAO

SDA	Amount of payment	Maximum payments per participant	Participants eligible for needs-based payments
1	$2 per day--base allowance	No limit	All classroom training participants
	$2 per day--transportation	No limit	Classroom training participants who do not have access to public transportation
2	$45 per week	No limit	Classroom training participants with family income less than 100 percent of OMB's poverty level criteria
	$45 per week	$ 90	All job search participants
3	Based on specific emergency needs	No limit	All participants who demonstrate a specific need, such as inability to pay rent or buy food
4	Based on participant's transportation and child care needs	$200	All classroom training participants
5	$20 per week--no dependents or $30 per week--with dependents	No limit	Only participants not receiving public supplemental support
6	$30 per week	No limit	All classroom training participants
7	$30 per week--base amount	No limit	All participants
	$5 per week per child	No limit	Participants with children
	Up to $5 per day for transportation	No limit	All participants except those in job search
8	50 percent of calculated need	$100 per month	Classroom training participants whose calculated need exceeds $50 per month
9	$0.19 per mile for transportation	No limit	All participants living 5 miles or more from training
	Child care--$0.75/hour for first child and $0.45/hour for second	No limit	All participants with children
10	$2.30 per hour	No limit	All classroom training participants
	$30 per week	No limit	All participants who receive public assistance

SERVICE PROVIDERS USED BY SDAS

At the time of our visits, the 15 SDAs had awarded service contracts totaling $40 million (about 68 percent of their training-related and participant support JTPA funds). (See app. II.) The SDAs had awarded contracts to a total of 387 service providers, 92 percent of whom had provided services under CETA. As shown in table 13, CBOs were the type of contractor most frequently used--14 SDAs had awarded contracts to CBOs, amounting to about 36 percent of total contract values.[7] Awards to CBOs ranged from 6 to 77 percent of individual SDAs' contracts. The contracts called for CBOs to provide such services as classroom training, OJT, job search, and vocational exploration.

Among private, for-profit entities, 12 SDAs had entered into contracts with local businesses, awarding contracts valued at about 11 percent of total awards. This, however, may not reflect the total amount that went to local businesses because nonbusiness service providers sometimes subcontracted with local businesses for training services. For example, one SDA awarded contracts valued at $1.6 million to CBOs for OJT, but 51 percent of the dollars were to be passed on to local employers for participant wages.

In some instances, SDA entities, such as grant recipients or program administrators, functioned as service providers, although no formal contract was awarded. For example, one SDA allocated 31 percent of its training budget to the program administrator to furnish intake, assessment, counseling, job development, and placement. In another instance, an SDA allocated about $1.3 million to the grant recipient--a city government--to furnish intake, basic skills training, job search, and OJT.

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[7]We accumulated this information early in the JTPA program (November 1983 through February 1984), before all training-related and participant support funds were contracted out. Therefore, this information may have changed substantially after our visits.

Table 13.

Distribution of Contracts Among Service Providers at the Time of GAO's Visits to 15 SDAs

Type of service provider	Percent of dollars contracted to each type of service provider	Number of SDAs using each type of service provider
Public agencies:		
Employment service	5.4	6
Vocational education	1.3	4
Secondary education	5.4	9
Postsecondary education	11.0	12
Vocational rehabilitation	1.2	3
Local government	14.0	9
Other[a]	2.0	8
Subtotal	40.3	
Private, nonprofit:		
CBO	36.2	14
Other[b]	7.3	12
Subtotal	43.5	
Private, for-profit:		
Proprietary schools	5.0	6
Business	11.2	12
Subtotal	16.2	
Total	100.0	

[a]Includes a welfare agency, other public education agencies, economic development agencies, and state government agencies.

[b]Includes Chamber of Commerce, a regional planning agency, and other nonprofit organizations.

SERVICES PROVIDED BY CONTRACTORS

For the 15 SDAs we visited, classroom skills and OJT together accounted for over 50 percent of contract awards. As shown in table 14, classroom skills training was the primary service in about 32 percent of the awards and OJT in about 19 percent. These percentages may have been higher because classroom skills training and OJT sometimes were included in other contracts as secondary services, and the dollar values allocable to those services were not identified.

Table 14
Types of Training and Services Contracted for by 15 SDAs Visited by GAO

Primary service provided under each contract[a]	Percent of total awards	Number of SDAs providing service
Classroom skills training	32.0	14
OJT	19.0	10
Remedial education/basic skills	8.0	7
Education for employment	5.9	3
Outreach and recruitment	3.5	4
Job search	3.1	5
Vocational exploration	3.0	1
Literacy or bilingual training	2.8	3
Private sector programs for occupations in undersupply	2.3	4
Development of job openings	2.0	2
Customized training with promise of employment	2.0	2
Advanced career training	1.7	1
Work habit training	1.5	2
Onsite industry-specific training	1.5	2
Entry employment experience (youth only)	1.1	2
Preemployment skills training (youth only)	0.8	4
Other[b]	9.8	
	100.0	

[a]Where contracts were written for more than one type of training activity or service but did not specify separate amounts, we assigned the total dollar value of the contract to the primary service provided.

[b]Other primary services included various support services and miscellaneous training activities.

Furthermore, the actual percentage of classroom skills training and OJT may have been higher because some of the other categories of training would likely involve classroom skills training or OJT. Such categories could include private sector programs for occupations in undersupply, advanced career training, customized training with promise of employment, and onsite industry-specific training.

SDAS USED FIXED UNIT PRICE CONTRACTS EXTENSIVELY TO PROVIDE SERVICES

JTPA regulations give SDAs an incentive to procure training services through fixed unit price contracts, often referred to as performance-based contracts. The incentive is that all costs incurred--including nontraining costs--are fully allocable to training when the contracts

--are for training;

--are fixed unit price; and

--stipulate full payment will be made only when a participant (1) completes training, (2) is placed in an unsubsidized job in the occupation for which he/she was trained, and (3) is placed at a wage not less than the wage specified in the agreement.

As shown in table 15, 14 of the 15 SDAs we visited had entered fixed unit price contracts comprising about 46 percent of total dollar awards at the time of our visits. Unit price contracts, as a percentage of each SDA's awards, ranged from a low of 2 percent to a high of 100 percent. Eight SDAs had awarded unit price contracts exceeding 50 percent of their total awards.

Table 15

Types of Contracts Awarded by 15 SDAs Visited by GAO

Type of contract	Percent of total contract awards	Use of each type contract by SDAs: Number of SDAs	Extent of use (range in percent of awards)
Fixed unit price	46.3	14	2 to 100
Cost reimbursement	50.7	14	6 to 100
Other fixed price	3.0	4	7 to 22
	100.0		

In its national survey, NAB found about 64 percent of all SDAs (371) planned to use unit price contracts and another 15 percent (85) were considering it. Of the 371 which had already decided to use this approach, 156 (42 percent) reported they would use unit price contracts for at least 75 percent of their training programs, and another 64 (17 percent) planned to use this approach for 50 to 75 percent of their skills training contracts.

As outlined above, the regulations specify certain requirements which must be met before SDAs can make full payment to unit price contractors. Some SDAs with unit price contracts did not make any payments on an individual trainee until the trainee had completed training and had been employed for a specified minimum period, such as 30 or 60 days.

On the other hand, other SDAs made progress payments on individual trainees at verifiable points in the training and placement process. For example, one SDA had a classroom skills training contract for the handicapped in which the full unit price was $2,321 per trainee. Payments were scheduled as shown in table 16.

Table 16

Example of Progress Payment System Used by One SDA for Fixed Unit Price Contracts

Verifiable payment point	Payment amount	Percent of full unit price
1. Enrollment: all enrollment paperwork completed, and participant has attended at least 1 day of training	$ 348.10	15
2. Attendance: participant has attended at least 50 percent of scheduled training hours	696.20	30
3. Certification: participant has been certified as having the required competencies for entry level employment in occupation trained for	812.24	35
4. Interim placement/retention: participant has been placed in unsubsidized job in occupation trained for, for at least 5 days, at wage of at least $3.35 per hour	232.07	10
5. Placement/retention: participant has remained in training-related unsubsidized job for a total of at least 30 days	232.07	10
Total unit price	$2,320.68	100

ATTEMPTS TO ALLEVIATE LIMITATIONS ON SDA ADMINISTRATIVE FUNDS

An SDA's title II-A administrative expenses cannot exceed 15 percent of funding, compared with 20 percent under CETA. Some state and SDA officials have expressed concern about the adequacy of the administration allowance. Some were especially concerned about small SDAs with relatively small allocations. The potential shortfall in SDA administrative funds may have been alleviated somewhat in many states because, in the absence of direction from both the act and federal regulations, they have ruled that part or all of participant outreach, recruitment, and eligibility costs can be classified as training rather than administrative costs. In addition, some SDAs are easing

the administrative dollar scarcity by obtaining, or planning to obtain, supplementary funding from external sources.

Classification of participant outreach, recruitment, and eligibility determination costs

Under JTPA, all SDA costs must be classified as either training, support, or administrative costs, but the act and the implementing regulations are silent on how participant outreach, recruitment, and eligibility determination costs should be classified. Thus, the states individually decide how to classify these costs.

The way a state classifies these costs could affect an SDA's ability to remain within the 15-percent administrative cost limit. The costs of outreach, recruitment, and eligibility determination under CETA required about 5 to 7 percent of available funds. If the cost experience is the same for JTPA and if states classify these costs as administrative, the net effect could be to require SDAs to operate with between an 8- and 10-percent administrative limit.

Most states classified participant outreach, recruitment, and/or eligibility determination costs as training costs. As shown in table 17, 43 states classified 100 percent of outreach and recruitment costs as training and 43 states did the same for eligibility determination. Three states classified all these costs as training costs for enrollees, but classified them as administrative costs when applicants were not enrolled. Only one state classified all these costs as 100-percent administrative, but five classified participant outreach and recruiting costs as administrative, and five classified all eligibility determination costs as administrative.

Table 17

Classification of Participant Outreach, Recruitment, and Eligibility Determination Costs

Participant outreach and recruiting costs	Number of states[a]
100-percent training costs, regardless of whether the individual is enrolled	3
Training costs for persons enrolled; administrative costs for persons not enrolled	3
100-percent administrative costs	5
Other	6
Total	57
Eligibility determination costs	
100-percent training costs, regardless of whether the individual is enrolled	43
Training costs for persons enrolled; administrative costs for persons not enrolled	3
100-percent administrative costs	5
Other	6
Total	57

[a]Although the number of states is the same in both parts of this table, they do not necessarily represent the same states.

Funding from external sources

Five of the 15 SDAs we visited either had already obtained or were planning to obtain external fund g for JTPA administrative expenses. For example:

--One consortium was using $750,000 from local government general funds to supplement administrative staff costs.

--In another SDA, the local Chamber of Commerce and the state Commerce Department were paying for part of administrative staff and supply costs.

--Another SDA was considering soliciting corporate donations.

Two other SDAs planned to obtain funds elsewhere but had developed no strategies. We also noted that several SDAs we visited had been given use of office space or personnel time at no cost, thus reducing their administrative costs.

LABOR COMMENTS

Labor said that our discussion on pages 33 and 34 relating to SDAs selecting participants needing only limited employment and training assistance suggests that there are subcategories within the eligible population that SDAs should be serving. We modified our report to emphasize that generally JTPA identifies eligible participants as those who are economically disadvantaged, and it makes no finer distinction. Therefore, targeting any specific group among those who are eligible would not be contrary to the act.

CHAPTER 4

VARIATIONS IN PERFORMANCE STANDARDS

AND MANAGEMENT INFORMATION SYSTEMS

JTPA is a performance-oriented program. The act states that the basic measurement of performance for adult training programs under title II is the increase in employment and earnings and the reduction in welfare dependency. To determine if these measures are met, the act requires that Labor establish national performance standards. In addition, Labor is required to establish standards for evaluating the performance of youth programs. The act provides for a system of rewards for SDAs exceeding performance standards and sanctions for those failing to meet such standards.

These standards must measure immediate participant outcomes, such as the proportion of participants placed in jobs upon leaving the program, as well as the above long-term goals. States adjust these national standards so that they are tailored to individual SDAs. States then use the adjusted standards to identify SDAs which deserve incentive awards, need technical assistance, or should be reorganized to improve performance.

In our review, we found that:

--Labor has established national performance standards for measuring immediate participant outcomes at the time they terminate, but, due to a lack of adequate data, Labor has not yet established standards for measuring longer term achievements.

--States are setting up statewide MISs that collect data which could add to the knowledge base needed to establish standards for measuring the long-term benefits of JTPA, but the types of information the states are collecting vary.

--States are not required to use a uniform method of adjusting the national performance standards to allow for socioeconomic and programmatic conditions peculiar to each SDA. Some concern exists in the employment and training community that this lack of uniformity may not allow meaningful performance comparisons among SDAs or states.

NATIONAL PERFORMANCE STANDARDS PARTIALLY ESTABLISHED

Based on data from the CETA program, Labor has established four national performance standards for measuring immediate outcomes of adults at the time they leave the program and three standards for measuring youth outcomes. As shown in table 18, these standards focus mainly on job placements and average costs per placement. Labor, however, has not established standards for measuring the program's impact on participants' postprogram earning capacity or their welfare dependency.

According to Labor, analytical techniques for measuring a program's specific contribution to changes in participants' postprogram circumstances are not sufficiently developed to establish postprogram performance standards. Labor believes these analytical techniques must be developed before setting the standards because governors' decisions to reward or impose sanctions on SDAs will be based on these standards. As a result, Labor has initiated several research projects to determine the postprogram standards appropriate for measuring long-term success. Labor anticipates the new standards will take effect in program year 1986.

Table 18

National Performance Standards Prescribed by Labor for Initial 9 Months and Program Year 1984

Performance standard	Numerical value of standard: Initial period	FY 1984
Adult:		
Entered employment rate	58%	55%
Cost per entered employment	$5,900	$5,704
Average wage at placement.	$4.90	$4.91
Welfare entered employment rate	41%	39%
Youth:		
Entered employment rate	41%	41%
Positive termination rate	82%	82%
Cost per positive termination	$4,900	$4,900

VARIATIONS IN STATEWIDE MIS DATA COLLECTION

To establish postprogram performance standards, Labor needs not only the proper analytical techniques but also a data base from which to project performance. Labor originally intended to establish this data base by requiring states to collect and

report data from e h SDA on title II-A participants' preprogram and postprogram ec iomic status. Under this proposal, postprogram data had to be collected from former participants through follow-up contacts after termination.

OMB objected that the universal nature of the reporting requirements was too burdensome, and Labor dropped the data collection requirements. However, Labor has instituted a longitudinal study in which the Bureau of the Census will collect postprogram data for a sample of participants from 194 SDAs across the nation in order to evaluate program effectiveness. These data will allow such an evaluation at the national level,[1] and Labor also plans to use these data to establish national postprogram standards.

Although Labor has dropped a postprogram reporting requirement, many states planned to collect much of these data anyway. The data they are collecting, however, vary in the (1) types of data collected, (2) groups included in follow-up efforts, (3) number of follow-up efforts, and (4) intervals between termination and follow-up efforts.

In addition, although unrelated to performance standards, statewide MISs vary in whether data are collected on both applicants and participants. As a result, many statewide MISs will contain data describing JTPA participants but no data describing eligible applicants who do not enter the program.

Types of data collected vary

Fifty-one states reported to us that they had decided to collect preprogram wage or welfare data, and 35 of them said they would collect all five preprogram data items originally proposed by Labor. Two states planned to collect only one preprogram data item--welfare status at intake--and the other 14 states planned to collect two, three, or four of the items.

Forty-eight states planned to follow up on former participants to collect postprogram data, but seven of them were undecided on the data to collect. Of the other 41 states planning follow-up, 28 planned to collect all six postprogram data items originally proposed by Labor. One state planned to collect only one postprogram data item--labor force status--and the other 12 states planned to collect three, four, or five of the items. The total number of states planning to collect each item is shown in table 19.

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[1]The methodology and design of data collection in the longitudinal study will not permit an evaluation of effectiveness at the state level.

Table 19

State Plans to Collect Preprogram and Postprogram Wage and Welfare Data for Title II-A Participants

Types of preprogram data originally proposed by Labor to be collected for adults[a]	Number of states planning to collect data
Weeks worked	46
Hours worked in last job	37
Hourly wage	47
Welfare status at intake	49
Welfare grant amount at intake	44
Types of postprogram data originally proposed by Labor to be collected for adults[a]	
Labor force status	41
Hourly wage	38
Weeks worked	33
Hours worked per week in last job	31
Welfare status	38
Welfare grant amount	34

[a]Labor issued proposed annual reporting requirements for states in April 1983. The final reporting requirements, which did not include preprogram or postprogram wage and welfare data, were issued in August 1983.

Types of follow-up groups vary

Six of the 48 states planning follow-up were undecided on which group(s) of terminees to follow up on. Thirty-six of the remaining 42 states planned to follow up on all--or a sample of all--adults. The other six states planned to follow up on adults placed in jobs.

Twenty-seven of the 42 states which had selected follow-up groups planned to follow up on all--or a sample of all--youth. Six other states planned to follow up on youth placed in jobs, and nine states planned no follow-up on youth.

Number of and intervals between follow-up efforts vary

Variations in data collected and groups targeted for follow-up were not the only differences in states' evaluation plans. As shown in table 20, the plans also differed in the number of follow-up efforts and the intervals between termination and follow-up. For example, of the 48 states planning follow-up, 34 planned one follow-up. Twenty-five of the 34 states planned to follow up at 12 to 13 weeks after termination, 2 states at 4 to 6 weeks after termination, and 1 at 26 weeks. Six were undecided.

Characteristics data collected for participants versus eligible applicants vary

Labor has prescribed two reports defining the minimum data which a state MIS must contain to meet reporting requirements. One of these reports is a two-page annual report on title II-A terminees (former participants) which states must submit for each SDA. Among other things, the annual report must contain selected socioeconomic characteristics for three terminee groups--all adults, welfare adults, and youth.[2] Thus, the minimum participant characteristics data collected by states must include data from each SDA for each of these groups of terminees. It is, therefore, optional as to whether states collect characteristics data on eligible applicants who do not enter the program.

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[2]States must also submit a statewide summary report (not for each SDA) showing the same types of data for title III dislocated workers as a group.

Table 20

Number of Follow-up Efforts Planned and Intervals Between Termination and Follow-up

Number of follow-ups planned	Number of states	First follow-up: Number of states planning follow-up at				Second follow-up: Number of states planning follow-up at				Third follow-up: Number of states planning follow-up at	
		4-6 wks.	12-13 wks.	26 wks.	Undecided	13 wks.	24-26 wks.	36 wks.	52 wks.	36 wks.	52 wks.
One only	34	2	25	1	6	a	a	a	a	a	a
Two	8	2	6	-	-	1	2	1	4	a	a
Three	3	-	3	-	-	-	3	-	-	1	2
Total	45[b]	4	34	1	6	1	5	1	4	1	2

[a]Not applicable.

[b]Three states, not included in this total, planned to do follow-up but had not decided on the number of follow-ups or at what intervals.

As shown in table 21, 29 states collect characteristics data for all eligible applicants, including nonparticipants, while 25 collect data for participants only. Although collecting characteristics data on eligible applicants who do not enter the program is not required, the states that collect the data will be in a better position to determine which population groups may be interested in the program but are not enrolled.

Table 21

Availability of Socioeconomic Characteristics Data in Statewide MIS

	Number of states
All eligible applicants	29
Participants only	25
Mixture of data[a]	3
Total	57

[a]Three states collect data on all eligible applicants from part of their SDAs and participant data from the other SDAs.

METHODS USED BY STATES TO ADJUST PERFORMANCE STANDARDS MAY DIFFER

Labor sets the basic values for the national performance standards, but the act permits governors to adjust the standards for each SDA based on local socioeconomic conditions and programmatic factors. Labor originally proposed one adjustment method to be used by all states, but OMB contended that restricting states to that method unduly limited their right to adjust the standards. As a result, Labor made the use of its adjustment method optional and allows each state to design alternative adjustment methods, if the alternative method meets certain qualitative criteria set by Labor and is applied consistently throughout the state. Consistency in the adjustment methods would allow comparisons of performance between and among states. Although the act does not require such comparisons, these comparisons would allow evaluation of the relative effectiveness of various program approaches.

For program year 1984, 31 states reported to us that they planned to use only Labor's adjustment method, and 7 planned to make initial adjustments using Labor's method and adjust the standards further using other methods if warranted by local conditions. Five states were planning to make adjustments using

only methods of their own design. Thirteen states were undecided on the adjustment method(s) they would use, and 1 did not answer the question.

LABOR COMMENTS

In commenting on the draft report, Labor said that pages 52 through 54 seemed to imply that the data systems of SDAs who do not collect characteristics data for all eligible applicants are deficient. We revised our report to remove the language which Labor believed implied that such data systems are deficient. Our purpose in this section of the report was to point out that those who elect to collect such data will be in a better position to determine who is or is not being served under the JTPA program. Apparently, 29 states believe this type of information is important and are collecting it from their SDAs.

APPENDIX I

TYPES OF SDAS

Type SDA	Number of SDAs																								
	AL	AK	AZ	AR	CA	CO	CT	DE	FL	GA	HI	ID	IL	IN	IA	KS	KY	LA	ME	MD	MA	MI	MN	MS	MO
Single county		1	6		26	4			8	2	4		5	3				6	1	4					2
Balance of county			1		2				1				1									2			1
Single city			1	1	3	1			1	1			1					1			1	1	3		1
County csrt.[a]			2	8	6	3			13	12		6	16	14	14		7	9		5		17	8	1	9
City csrt.[a]					7		9															1			
County/city csrt.[a]	2	1			6	1			1	1			2		2	5	1			1		5		1	2
Statewide								1																	
Balance of state	1	1				1													1					1	
Other			1										1				1				14		1		
Total	3	3	11	9	50	10	9	1	24	16	4	6	26	17	16	5	9	16	2	10	15	26	12	3	15

APPENDIX I

Type SDA	Number of SDAs																									Subtotal for 50 states	Percentage
	MT	NE	NV	NH	NJ	NM	NY	NC	ND	OH	OK	OR	PA	RI	SC	SD	TN	TX	UT	VT	VA	WA	WV	WI	WY		
Single county				1	11		8	5		5	1	1	9					1	1			1	1	4		121	20.8
Balance of county					2		5			2		1	1					3								22	3.8
Single city					2		4			3		2	2				1	2			1					33	5.6
County csrt.[a]			2		4		17	2		19	9	4	14				12	24	8			8		12		285	49.1
City csrt.[a]														1				1								19	3.3
County/city csrt.[a]		2				1		4		1	2		1				1	3			13	3				62	10.7
Statewide									1						1	1				1					1	6	1.0
Balance of state	1	1		1		1		1						1									1			12	2.1
Other	1													1										1		21[b]	3.6
Total	2	3	2	2	19	2	34	12	1	30	12	8	27	3	1	1	14	34	9	1	14	12	2	17	1	581	100.0

APPENDIX I

Type SDA	Number of SDAs								Total SDAs	Percentage
	District of Columbia	American Samoa	Guam	N. Mariana Islands	Puerto Rico	Trust Territory	Virgin Islands	Subtotal		
Single county									121	20.4
Balance of county									22	3.7
Single city					1			1	34	5.7
County csrt.[a]									285	48.0
City csrt.[a]									19	3.2
County/city csrt.[a]									62	10.4
Statewide	1	1	1	1			1	5	11	1.9
Balance of state					1			1	13	2.2
Other						6[c]		6	27	4.5
Total	1	1	1	1	2	6[c]	1	13	594	100.0

[a]Consortium.

[b]All of these SDAs are local consortia consisting of 1 township consortium (Illinois), 15 city/township consortia (14 in Massachusetts and 1 in Rhode Island), 1 Indian reservation consortium (Arizona), and 4 rural concentrated employment program CETA grantees (Kentucky, Minnesota, Montana, and Wisconsin).

[c]The six SDAs in the Trust Territory of the Pacific Islands include two republics and four states within the Federation of States.

APPENDIX I

JTPA TITLE II-A ALLOCATIONS FOR FIRST 9 MONTHS OF PROGRAM AND CONTRACTS AWARDED AT THE TIME OF GAO'S VISIT

SDA	Allocation for first 9 months[a]	Contracts awarded	Contracts awarded as percent of nonadministrative JTPA funds[b]
	-----(millions)------		
Dade/Monroe Consortium	$ 9.53	$ 6.98	86
Florida Panhandle	1.51	0.99	77
State of South Carolina	8.78[c]	8.51	114
Southern Nevada	3.02	1.55[d]	60
Northern Nevada	1.79	0.37	24
Alameda County	2.89	2.09	85
Contra Costa County	1.95	1.37	83
City of Boston	3.29	1.86[e]	66
Bristol County	1.60	0.45	33
Prince Georges County	1.76	1.15	77
Baltimore Metro Consortium	7.59	4.85[f]	75
Northeast Indiana	3.66	1.08	35
Marion County	5.37	4.86	107
Fremont Consortium	1.92	1.41	86
Columbus/Franklin Consortium	4.46	1.86	49
	$59.12	$39.38	78

[a]Some SDA's allocations may include funds carried over from CETA.

[b]Nonadministrative funds are assumed to be 85 percent of the allocation because the act limits administrative expenses to 15 percent.

[c]South Carolina's total allocation was $17.12 million, but $8.36 million of this amount was actually administered by four subgrant areas. Our analysis includes only funds administered directly by the state.

[d]An additional $693,000, or about 31 percent, of Southern Nevada's training budget was not available for contracts because it was allocated to the program administrator to directly provide intake, assessment, counseling, job development, and placement services.

[e]Contracts awarded by the Boston PIC totaled $6.42 million, but $4.21 million of that amount was provided by external sources, such as foundations and the contractors themselves. Only $2.21 million of JTPA funds were involved in the contracts. Most of Boston's contracts were funded from more than one source.

[f]An additional $1.3 million, or about 17 percent, of the Baltimore Metro's base allocation was not available for contracts because it was assigned to the Baltimore Mayor's Office to provide intake, classroom training, OJT, and job search.

STATES AND SDAS GAO VISITED

States visited	SDAs Name	Location	Type
Florida	Dade/Monroe County Csrt.[a]	Miami	County/city csrt.[a]
	Florida Panhandle	Panama City	County csrt.[a]
South Carolina	State of South Carolina	Columbia	Single state
Massachusetts	City of Boston	Boston	Single city
	Bristol County	Fall River	City/township csrt.[a]
Maryland	Prince Georges County	Seat Pleasant	Single county
	Baltimore Metro Csrt.[a]	Baltimore	County/city csrt.[a]
Indiana	Northeast Indiana	Fort Wayne	County/city csrt.[a]
	Marion County	Indianapolis	Single county
Ohio	Fremont Csrt.[a]	Fremont	City/county csrt.[a]
	Columbus/Franklin Csrt.[a]	Columbus	City/county csrt.[a]
Nevada	Southern Nevada	Las Vegas	County csrt.[a]
	Northern Nevada	Reno	County csrt.[a]
California[b]	Alameda County	Hayward	Balance of county
	Contra Costa County	Concord	Balance of county

[a]Consortium.

[b]We did not visit the California JTPA administrative agency because it was included in two other studies.

U.S. Department of Labor

Assistant Secretary for
Employment and Training
Washington, D C 20210

NOV 21 1984

Mr. Richard L. Fogel
Director
Human Resources Division
U.S. General Accounting Office
Washington, D.C. 20548

Dear Mr. Fogel:

In reply to your letter to Under Secretary Ford requesting comments on the draft GAO report entitled "Job Training Partnership Act: An Overview of the System," the Department's response is enclosed.

The Department appreciates the opportunity to comment on this report.

Sincerely,

PATRICK J. O'KEEFE
Deputy Assistant Secretary of Labor

Enclosure

GAO note: The following is a word-for-word copy of Labor's detailed comments except that the page numbers have been changed to reflect the page numbers in this report.

Our analysis follows Labor's comments.

LABOR COMMENTS:

The Department recognizes that this report represents not only findings from the GAO 15 site study, but also relies heavily on the telephone survey conducted by the National Alliance of Business in September and October of 1983. The study was also coordinated with other organizations conducting studies at that time--the National Commission for Employment Policy, the National Governor's Association, and the National Association of Counties. Since the study was completed in February 1984, it is premature to draw conclusions as to the effectiveness of implementation strategies at such an early stage in the development of a new program. The Department suggests that a full description of the sources and timing of the data collection appear on the first page of the digest and that the disclaimer appearing on page 3--"... the information obtained should not be viewed as being representative of SDAs nationwide"--be noted on the first page of the Digest.

GAO ANALYSIS:

Labor incorrectly characterizes our report as representing findings from 15 site studies and relying heavily on a National Alliance of Business telephone survey. For the most part, our report was based on the results of a comprehensive questionnaire mailed to 43 states, the District of Columbia, and 6 territories and administered first hand to the 7 remaining states. We also visited 15 SDAs, as indicated in Labor's comments. In addition, NAB cooperated with us and shared the nationwide data on SDAs which it obtained from its 1983 study. We used this information to supplement our limited SDA data.

We concur with Labor's comment that it is premature to draw conclusions as to the effectiveness of the implementation strategies and have avoided doing so.

We have modified our report to provide a more detailed disclosure of the sources and timing of the data collection (see p. i).

We recognize that our sample of SDAs visited was limited--15 of 594 SDAs. However, as stated in the report, we supplemented our information with similar data from NAB's nationwide telephone survey of SDAs. The report has been modified accordingly (see pp. 3 and 4).

LABOR COMMENTS:

°Page i, Digest, first paragraph--the description of the program would be more broadly applicable if the language found in Section 2 of the Act were used, rather than limiting its aims to the stated performance standards "to increase participants' employment and earnings and to reduce their welfare dependency."

GAO ANALYSIS:

We concur and have modified the report accordingly (see p. i).

LABOR COMMENTS:

°Pages iii and iv, Digest, and page 19, the Report, last sentence -- in both instances, the Report presents a bias that, without formal written agreements, "... inadequate coordination could result." Since representatives of education, rehabilitation and public assistance agencies and the employment service sit on State Job Training Councils as well as on local Private Industry Councils, their membership enables agencies to keep informed of State and local plans and programs and to represent their clientele in the formulation of such plans and programs (page 22, Table 7 tends to support this point). Further, unless there is a mutual exchange of services and the need for a financial agreement, many organizations prefer to avoid the time consuming negotiating processes and paperwork associated with preparing formal or informal written agreements. Since the survey and field work took place in the early months of JTPA, it would be premature to assume that all coordination efforts had been completed or subsequently foreclosed at this early stage of JTPA implementation.

GAO ANALYSIS:

We agree that coordination agreements or arrangements do not have to be formal in nature or in written form in order to be successful. We modified our report to reflect that many states had neither written nor unwritten agreements or arrangements for coordination with other state agencies responsible for related programs.

We also modified our report to recognize that with the start of a new prog' such as this, coordination efforts may not receive high priori. initially and that such efforts may evolve over time. (See pp. iii, and 19.)

LABOR COMMENTS:

°Pages vi and vii, Digest states "...if States use varying methods of adjusting the standards, meaningful comparisons of performance between States may not be possible." There are no plans to compare the various states' performance with one another. Therefore, the need for uniformity in approach to adjusting the performance standards has never been viewed as inhibiting later evaluation and assessment studies of the program. Further, page 54 would seem to imply that the lack of a requirement that SDAs collect data on all applications, as well as participants, is a deficiency in the data system. Such data has never been a requirement in any prograr and, given the paperwork burden and emphasis of cost-effective management practices, it would not seem appropriate to begin now.

GAO ANALYSIS:

We have revised our report to state that the act does not require comparisons of performance between states but that such comparisons would allow evaluation of the relative effectiveness of various program approaches. (See p. 54.) We also removed the language from our report which Labor believed implied that data systems of SDAs who do not collect data for all eligible applicants are deficient. Our purpose in this section of the report was to point out that those who collect such data will be in a better position to determine which population groups may be interested in the program but are not enrolled. Apparently, 29 states view such information as being important and are collecting it from their SDAs.

LABOR COMMENTS:

°The discussion on pages 49 through 55 would seem to imply that lack of uniform data collection requirements will inhibit the establishment of postprogram standards. The Department believes national standards can be set on the basis of the Job Training Longitudinal Study once the required data base is compiled in that system.

GAO ANALYSIS:

We have modified our report to point out that Labor has instituted a longitudinal study that will collect postprogram data and provide a data base for establishing national post-program standards (see pp. 49 and 50).

LABOR COMMENTS:

°Pages 33 and 34 -- the discussion of "creaming" suggests that there are other subcategories that SDAs should be serving. The legislation identifies the economically disadvantaged as the target group and does not make any finer distinctions. If the report is to consider "creaming" as an issue, it should provide its specific definition of the term "most in need" so the category can be measured. To raise such a vague unmeasurable term as a criticism seems unfair. Moreover, there are hard data participant characteristics that indicate JTPA is serving essentially the same groups as CETA. GAO may want to consider including characteristics data in its discussion.

GAO ANALYSIS:

As Labor correctly points out, generally, the law identifies eligible participants as those who are economically disadvantaged and makes no finer distinction. We have modified our report to emphasize that while the training needs of those within this eligibility group differ in terms of length, type, and amount of training, targeting any specific groups among those who are eligible would not be contrary to the act. (See p. 33.)

(205040)