United States General Accounting Office

GAO

Report to Congressional Requesters

February 2004

WORKFORCE TRAINING

Almost Half of States Fund Employment Placement and Training through Employer Taxes and Most Coordinate with Federally Funded Programs

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GAO-04-282

February 2004

Highlights

Highlights of GAO-04-282, a report to congressional requesters

WORKFORCE TRAINING

Almost Half of States Fund Employment Placement and Training through Employer Taxes and Most Coordinate with Federally Funded Programs

Why GAO Did This Study

As technological and other advances transform the U.S. economy, many of the nation's six million employers may have trouble finding employees with the skills to do their jobs well. Some experts indicate that such a skill gap already affects many employers.

To help close this skill gap, both federal- and state-funded programs are providing training and helping employers find qualified employees. In 2002, the federal government spent about $12 billion on workforce programs, and there are various studies on these programs. States also raised revenues in 2002—from taxes levied on employers—to fund their own workforce programs. However, little is known about these state programs.

GAO was asked to provide information on how many states use these employer taxes to fund their own employment placement and training programs, what services are provided, the extent to which these state programs coordinate with federal programs, and how states assess the performance of these programs.

www.gao.gov/cgi-bin/getrpt?GAO-04-282.

To view the full product, including the scope and methodology, click on the link above. For more information, contact Sigurd R. Nilsen at (202) 512-7215 or nilsens@gao.gov.

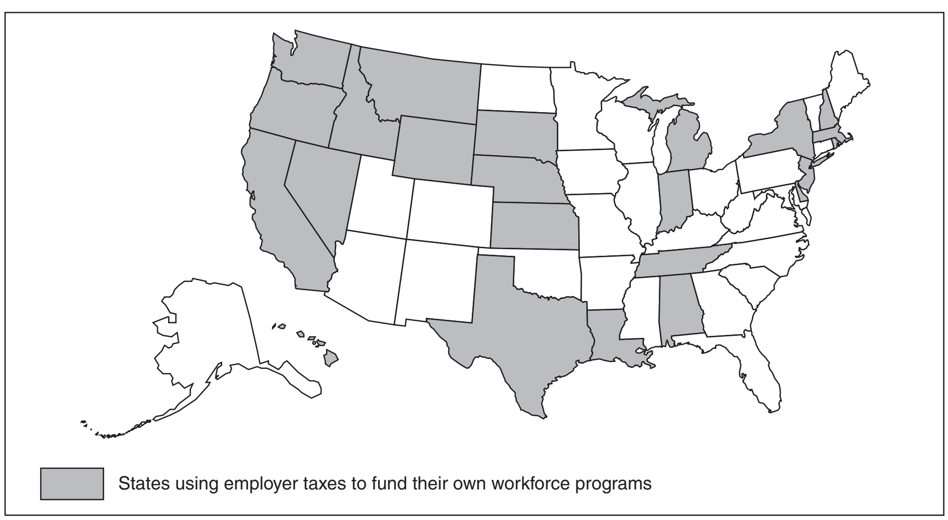
What GAO Found

Twenty-three states reported using employer tax revenues in 2002 to fund their own employment placement and training programs, and states most often provided job-specific training for workers. States used various types of employer taxes and reported spending a total of $278 million to address state-specific workforce issues. States invested in a variety of industries, but manufacturing was the most frequently targeted.

Most states with employment placement and training programs funded through employer taxes reported some coordination with federal workforce programs in 2002. States were most likely to coordinate with federal workforce programs by jointly promoting programs through outreach and referrals. According to most state officials, coordination with federal workforce programs raised awareness of their state-funded programs. Some state officials also reported that coordination improved the quality and availability of services.

Twenty-two of the 23 states reported assessing the performance of their programs in 2002. However, none have used sufficiently rigorous research designs to allow them to make conclusive statements about the impact of their programs, such as their effect on worker wages or company earnings. Because these programs contribute to our nation's ability to provide comprehensive workforce development services to meet employers' needs for skilled workers, it would be helpful to have information on the impact of these efforts. The Department of Labor has valuable resources that might help states evaluate the impact of their programs.

Twenty-three States Reported Using Employer Taxes to Fund Their Own Employment Placement and Training Programs in 2002



Source: GAO's survey of states that used employer taxes to fund their own workforce programs in state fiscal year 2002.

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Abbreviations

TANF	Temporary Assistance for Needy Families
UI	Unemployment Insurance
WIA	Workforce Investment Act

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United States General Accounting Office
Washington, DC 20548

February 13, 2004

The Honorable Edward M. Kennedy
Ranking Minority Member
Committee on Health, Education, Labor and Pensions
United States Senate

The Honorable Patty Murray
Ranking Minority Member
Subcommittee on Employment, Safety, and Training
Committee on Health, Education, Labor and Pensions
United States Senate

As technological and other advances transform the U.S. economy, many of the nation's six million employers may have trouble finding employees with the necessary skills. A recent study found that 46 percent of employers who participated in a workforce survey had difficulty recruiting qualified job applicants.[1] To help close the gap between employer needs and employee skills, both federal- and state-funded workforce programs are providing skills training and helping employers find qualified employees. Although many studies provide information on federally funded programs operating throughout the country, little is known about the state-funded programs. These state programs have the potential to enhance the federal workforce system and upgrade the skills of the nation's workers.

The federal government funds 44 employment and training programs, such as the Workforce Investment Act programs, that serve adults, dislocated workers, and youth. Some of the services provided through federally funded programs include: employment counseling and assessment, job search and placement activities, and basic skills such as GED preparation and basic adult literacy. In 2002, the federal government spent about $12 billion on employment and training activities. States have also raised their own funds to help upgrade the skills of their workforces and match employers with qualified employees. States often raise revenues for these

[1]Dixon, K.A., Duke Storen, and Carl E. Van Horn. John J. Heldrich Center for Workforce Development, Rutgers University, *Standing on Shaky Ground: Employers Sharply Concerned in Aftermath of Recession and Terror*, (New Jersey, February 2002).

programs through taxes levied on employers. While some states use these revenues to supplement federally funded services, like job training provided through the Workforce Investment Act, other states use these revenues to fund their own employment placement and training programs.

Because of your interest in these state-funded employment and training efforts, and their relationship with those that are federally funded, you requested that we determine

- how many states use employer taxes to fund their own employment placement and training programs, and what type of services do they provide;
- the extent to which these state employment placement and training programs are coordinating with federal workforce programs; and
- how states are assessing the performance of their employment placement and training programs.

To address these questions, we surveyed all 50 states, the District of Columbia, and Puerto Rico to determine how many used employer taxes to fund their own employment placement and training programs in 2002.[2] We conducted a follow-up survey of the states that had these programs to determine what services were provided, how they are assessed, and the type and extent of coordination with federal workforce programs. To learn more about state program assessments of the performance of the programs, we analyzed recent assessments from the states that could provide them to us. To gather more information about coordination, we surveyed staff from workforce investment boards in 6 states that began to fund their employment placement and training programs through employer taxes in the 1980s. In addition, we visited 3 states—California, Louisiana, and Rhode Island—where we interviewed officials from both state and federally funded workforce programs. We selected these states because they are geographically diverse and their employer-funded programs vary in age and funding levels. We also reviewed existing studies and literature on state employment and training programs. We conducted our work between February and November 2003 in accordance with

[2]2002 is used throughout this report and covers the time period defined as state fiscal year 2002, as reported by states. (For a complete description of the time periods reported by states for state fiscal year 2002, see app. I.)

generally accepted government auditing standards. (For a complete description of our scope and methodology, see app. I.)

Results in Brief

Twenty-three states reported using a variety of employer tax revenues in 2002 to fund their own employment placement and training programs, and states most often provided job-specific training for workers. State officials reported several reasons why these state-funded employment placement and training services were offered in addition to those offered through federally funded programs. Some states reported establishing their programs as a way to address a variety of specific workforce and economic issues, such as chronic shortages of skilled workers. For example, Louisiana's program used employer tax revenues to fund emergency medical services training after one of the state's largest providers of paramedics and emergency medical care staff reported needing to hire most of its staff from out of state due to a lack of qualified workers. In addition, other states noted that their employment placement and training programs address service and eligibility gaps in federally funded workforce programs. States reported spending a total of $278 million to provide these training and employment placement services. California pioneered this use of employer taxes in 1982, and most recently New Hampshire passed legislation in 2001 to create its program. States invested funds in a variety of industries, but manufacturing was the most frequently targeted, while accommodation and food service industries were least likely to be targeted. The primary focus of these state programs was worker training, in particular job-specific training, such as instruction on computer software and new production methods. States were less likely to use employer taxes to provide training services for nonjob-specific skills, including conflict resolution and team building.

Twenty-one of the 23 states with employment placement and training programs funded through employer taxes reported some coordination with federal workforce programs in 2002. States were most likely to coordinate with federal workforce programs by jointly promoting programs through outreach and referrals. For example, officials in Louisiana provided information packets to employers about how to upgrade their employee's skills or fill job openings using state and federally funded workforce programs. Other common coordination activities involved the exchange of technical assistance and the sharing of administrative resources. For example, California staff from both state and federal workforce programs worked together on a task force and provided each other with technical assistance to improve services to small businesses. Similarly, several states reported that they shared office space, staff, and other administrative resources. Fewer states noted that they co-funded employment placement and training services or jointly developed policies with federal workforce programs. According to most state officials, coordination with federal workforce programs raised awareness of their state-funded programs. Some state officials also reported that coordination improved the quality and availability of services. For example, a state official in Michigan noted that as a result of coordination between the state program and federally funded career centers, workers were exposed to a broader range of employment and training services and job opportunities.

While 22 of the 23 states reported assessing the performance of their programs in 2002, none have used sufficiently rigorous research designs to allow them to make conclusive statements about the impact of their programs, such as their effect on worker wages or company earnings. States used a range of approaches to assess their employment placement and training programs, including variations in who conducted the assessments, the data collection methods used for the assessments, and the frequency of the assessments. Most states used a combination of data collection methods for their assessments. For example, Tennessee's assessment was based on data collected from site visits to training locations and surveys administered to employers, while self-reported feedback and a fiscal audit were the data sources used for Texas's assessment. Of the 18 states that could provide us with assessments of their individual employment placement and training programs, we found that 4 states assessed their programs exclusively using process-oriented indicators, such as the number and type of workers and businesses served and the services offered. The 14 other states also included outcome-oriented indicators along with process-oriented indicators in their assessments, though none used appropriate comparison groups to allow them to conclusively attribute outcomes to their programs.

Background

Technological advances continue to transform the U.S. workforce, and workers must improve their skills to meet employers' changing needs. Many employers report difficulties in finding qualified workers, and many unemployed workers lack the skills they need to find jobs. Training programs can help workers gain the skills needed for today's jobs, and employment placement programs can help employers find qualified employees.

Federally Funded Employment and Training Programs

In 2002, the federal government funded 44 employment and training programs that provided services, such as job search assistance, employment counseling, basic adult literacy, and vocational training, to over 30 million people at a cost of approximately $12 billion.[3] Although these programs were administered by nine federal agencies, many of the programs provided services to the public through one-stop centers in communities throughout the country. When the Congress passed the Workforce Investment Act (WIA) in 1998, it mandated that at least 17 federally funded programs provide employment and training services through a one-stop center system (see table 1).

Table 1: One-Stop Center Mandatory Partners

Federal agency	Mandatory partner
Department of Labor	WIA Adult
	WIA Dislocated Worker
	WIA Youth
	Employment Service (Wagner-Peyser)
	Trade Adjustment Assistance Programs
	Veterans' employment and training programs
	Unemployment Insurance
	Job Corps
	Welfare-to-Work Program[a]
	Senior Community Service Employment Program
	Employment and training for migrant and seasonal farm workers
	Employment and training for Native Americans
Department of Education	Vocational Rehabilitation Program
	Adult Education and Literacy
	Vocational Education (Perkins Act)
Department of Health and Human Services	Community Services Block Grant
Department of Housing and Urban Development	HUD-administered employment and training

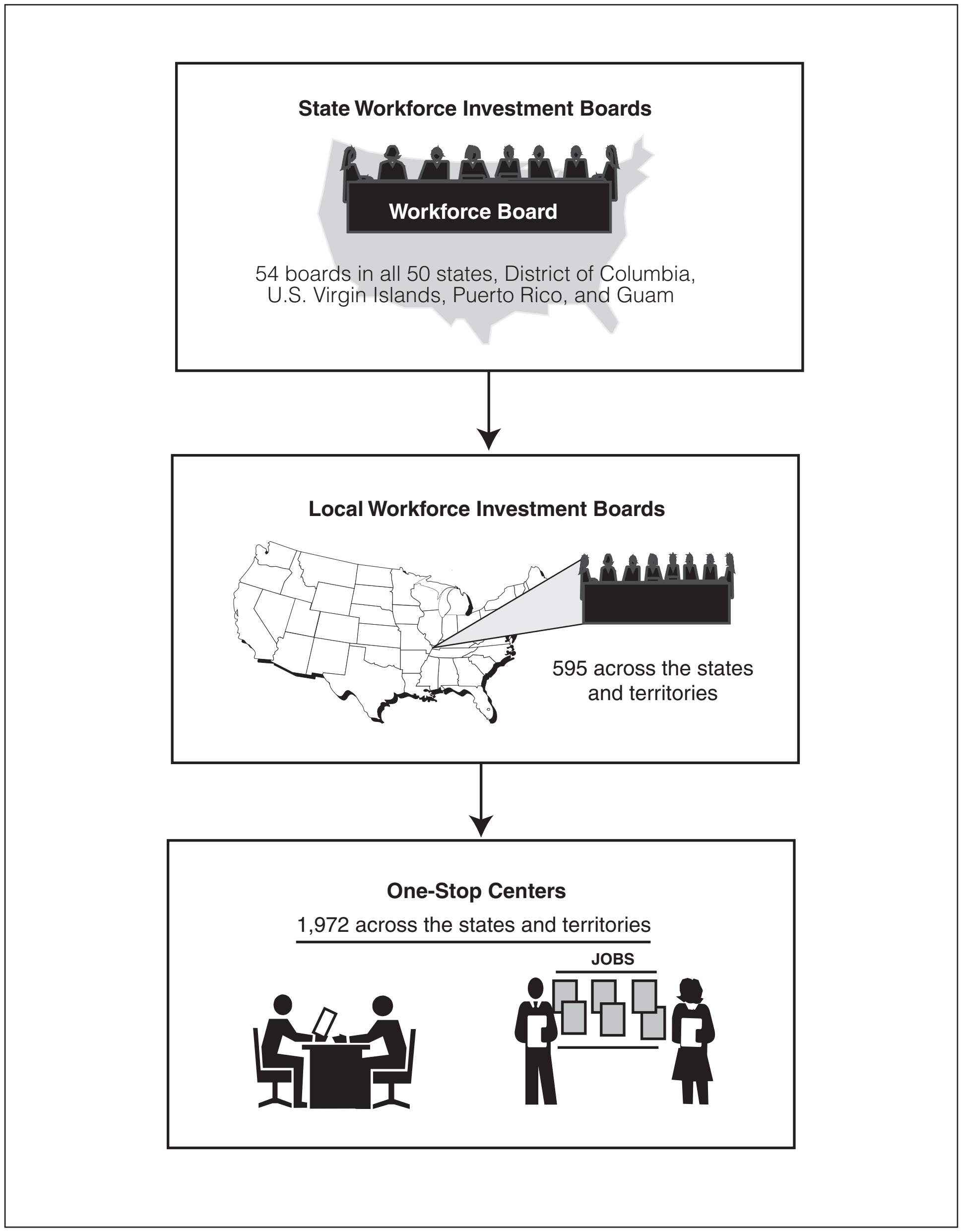
Source: 1998 Workforce Investment Act.

[3]See U.S. General Accounting Office, *Multiple Employment and Training Programs: Funding and Performance Measures for Major Programs*, GAO-03-589 (Washington, D.C.: Apr. 18, 2003).

[a]The Welfare-to-Work Program provides a variety of services to move welfare recipients, custodial parents with incomes below the poverty line, and noncustodial parents of low-income children into employment. These services include transitional employment, wage subsidies, job training and placement, and post-employment services.

WIA also established workforce investment boards. Each state workforce investment board is responsible for developing statewide workforce policies and overseeing its local workforce investment boards. The local workforce investment boards, in turn, are responsible for developing local workforce policies and overseeing one-stop center operations (see fig. 1).

Figure 1: Relationship between State Workforce Investment Boards, Local Workforce Investment Boards, and One-Stop Centers



Source: GAO-03-353,GAO-03-725, and Labor.

Some of the federal employment and training programs are not required to provide services through the one-stop centers. These include the Temporary Assistance for Needy Families program (TANF) and the H-1B Technical Skills Training Grant Program. The TANF program is administered by the Department of Health and Human Services and assists needy adults with children in finding and retaining employment. The H-1B Technical Skills Training Grants are administered by the Department of Labor, and the funds are distributed to select local workforce investment boards to increase the supply of skilled workers in occupations identified as needing more workers.

State-Funded Employment and Training Programs

In addition to federally funded programs, states use their own revenues to expand employment placement and training opportunities.[4] For example, states create unemployment insurance (UI) tax offsets by decreasing the UI tax amount paid by employers and at the same time imposing a separate tax on employers for the same amount as the UI tax deduction. In addition, states use other employer taxes, and revenues from each states' UI interest fund or from UI penalty fees imposed on employers. Employers may be charged UI penalty fees for late payments, for failing to file a UI return for an employee, or for failing to report an employee's wages. While all of these revenues are generated through employer taxes, states also commit general revenue funds to expand employment placement and training opportunities. A study for the National Governors' Association Center for Best Practices found that state-funded worker training programs are operating in 48 states.[5]

States have increased the availability of employment placement and training opportunities in various ways. Some states have used their revenues to expand federally funded programs. In fact, a recent national study by National Association of State Workforce Agencies found that 19 states used these revenues to supplement WIA job training services. Other states have used their revenues, including employer tax funds, to create their own employment placement and training programs; however, little is known about these programs.

[4]NASWA State Supplemental Funding Survey – Estimated Data for 2002.

[5]Regional Technology Solutions, *A Comprehensive Look at State-Funded, Employer-Focused Job Training Programs* National Governors' Association, Center for Best Practices (Washington, D.C.: 1999).

Employer-Funded Training Programs

Some employers invest their own resources in training their workers. The exact amount of money that employers spend every year to train their workers is difficult to estimate; a study of trends in employer-provided training suggests that employers' financial commitment to training has recently increased.[6] Some individuals, as well, invest their own funds for training as a way to either upgrade their job-related skills or to become employable.

Types of Impact Evaluations for Public Programs

Impact evaluations for public programs, like employment and training programs, produce findings that allow conclusions about the effectiveness of the programs to be made. These evaluations may be implemented using a few different design strategies. Two designs that are used to isolate a program's effects, such as those on participants, are experimental designs and quasi-experimental designs.

- **Experimental designs**. These are characterized by the use of random selection and control groups. All individuals have an equal chance of being assigned to either the intervention group or the control group. The intervention group contains individuals who will receive the intervention, or program's services, while the control group does not receive the intervention or services. This research design produces findings that allow conclusions about the effectiveness, or impact, of the intervention to be made. However, conducting experimental designs may be problematic because of the need to treat intervention and control groups differently. For example, to determine the impact of a training program on workers' wages, a program would need to randomly provide services to some and randomly deny services to others, and track subsequent earnings for both groups of people. This approach requires services to be denied to some workers who qualify for training. Due to these difficulties, as well as the amount of time and money it takes to conduct experimental designs, quasi-experimental research designs are often preferable for their practicality.

- **Quasi-experimental designs**. These designs are characterized by comparison groups that are not randomly selected. For training programs, a quasi-experimental design would compare a group of people who have elected to take the training courses with nonparticipants who may have characteristics, such as wage or education levels, that are comparable to the group receiving services. Comparing the two groups allows

[6]ASTD, *State of the Industry: ASTD's Annual Review of Trends in Employer-Provided Training in the United States* (February 2002).

researchers to account for other factors, such as the local economy, that may have influenced outcomes.

Evaluation Resources at the Department of Labor

The Department of Labor's Employment and Training Administration (ETA) Office of Policy Development, Evaluation and Research has valuable resources related to designing and implementing evaluations. Labor has established evaluation coordination liaisons in each state to help with evaluations of federal programs. These liaisons can help states access logistical support and technical assistance for program evaluations. Such resources include ETA's recent review of alternative research methodologies, which contains guidance on conducting experimental and quasi-experimental evaluations of workforce programs to determine the social and economic values of the programs.[7]

Nearly Half of All States Used Employer Taxes to Fund Their Own Employment Placement and Training Programs, and States Most Often Provided Job-Specific Training

Twenty-three states reported using employer tax revenues in 2002 from a variety of employer taxes to fund their own employment placement and training programs. States most often provided job-specific training for workers. States reported spending a total of $278 million to provide these training and employment placement services. Some states established their programs as a way to address a variety of specific workforce and economic issues, such as chronic shortages of skilled workers.

States Used a Variety of Employer Taxes to Provide Services to Address Unique State Workforce Issues

Twenty-three states reported using a variety of employer taxes in 2002 to fund employment placement and training services to address specific workforce issues (see fig 2). These states reported spending a total of $278 million on their workforce programs. Expenditures in 2002 varied dramatically from state to state, ranging from $100,000 in Kansas to over $84 million in California (see fig. 3). In 18 of the states, employer tax

[7]U.S. Department of Labor, Employment and Training Administration, *The Five-Year Strategic Plan for Pilots, Demonstrations Research and Evaluations July 2000-June 2005.*

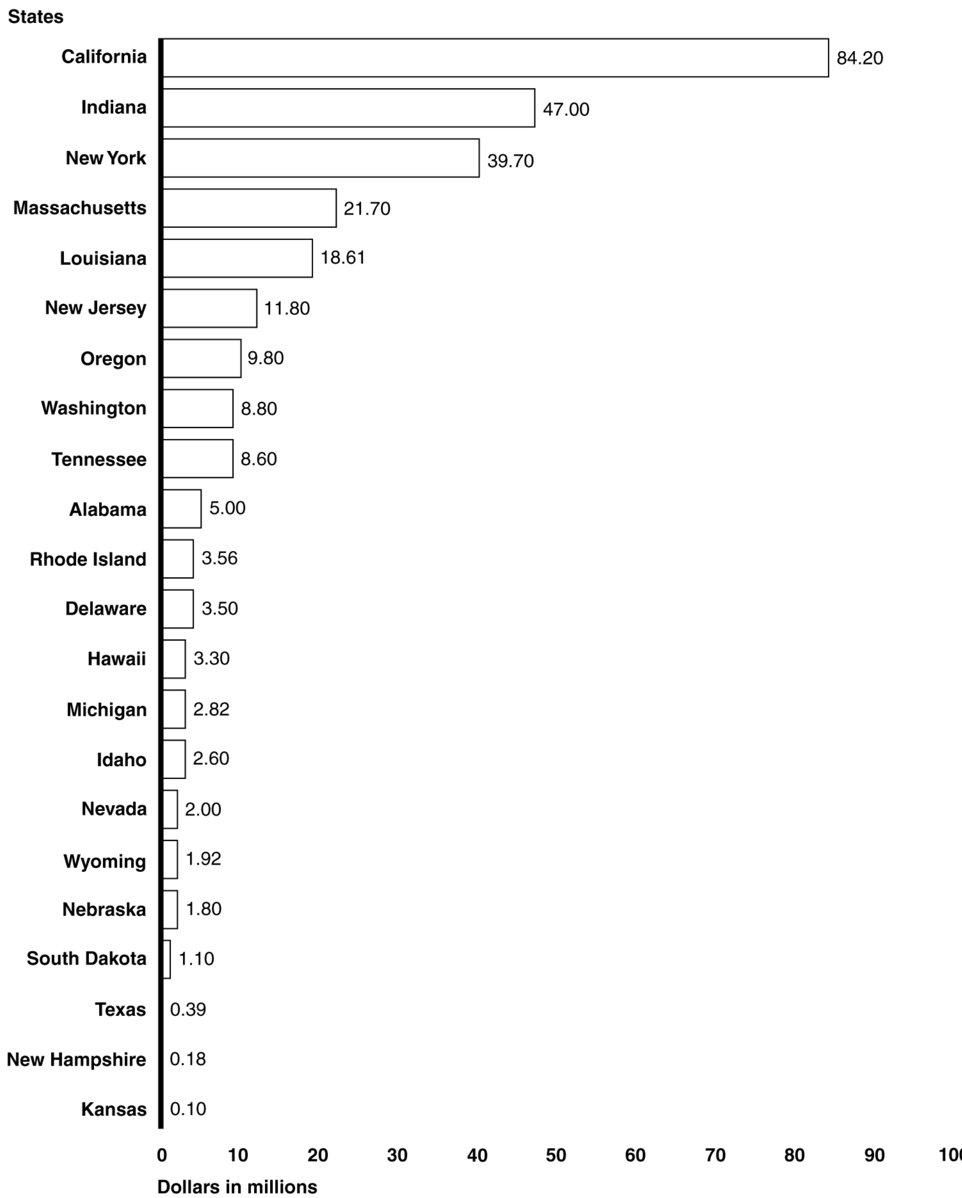
revenues completely funded these employment and training programs, while in 3 of the states employer tax revenues made up at least 50 percent of the funding for these programs. Only 1 state reported that employer tax dollars constituted less than 50 percent of its program's funds.[8] (For more information on individual state employment placement and training program budgets in 2002, see app. II.)

[8]In addition, 1 state reported that employer tax revenues did not completely fund its program, but did not specify the portion of its program budget that was funded by employer tax revenues.

Figure 2: States that Reported Funding Their Own Employment Placement and Training Programs with Employer Taxes in 2002

Source: GAO's survey of states that use employer taxes to fund their own workforce programs.

Figure 3: Total Expenditures of Employer Tax-Funded Programs in 2002, as Reported by States



Source: GAO's survey of states that use employer taxes to fund their own workforce programs.

Notes: This figure is based on the survey question responses of 22 states. Montana did not provide us with expenditure data. Delaware, Indiana, Michigan, and South Dakota reported that their program budgets included funds from other sources, making it difficult to isolate expenditures from their state employer tax revenues. While Oregon also reported that its program budget included funds from other sources, Oregon provided us with additional data. Oregon's expenditures included in this figure are those that were solely funded through employer tax revenues.

States used various types of employer taxes to fund employment placement and training services (see table 2). Eleven states reported using a UI tax offset. Eight states funded their programs through a separate state employer tax. For example, Delaware employers were taxed $12.75 for the first $8,500 of each employee's annual salary. Similarly, Massachusetts's employers were taxed up to $8.10 per employee annually. Five states used UI penalty and interest funds. One state, California, reported combining funds from more than one employer tax source and funded its program through revenues generated by a UI tax offset and a separate state employer tax of up to $7 per employee. (For more information on the total funds collected by states through these employer taxes in 2002, see app. II.)

Table 2: Types of Employer Taxes States Reported Collecting and Using to Fund Employment Placement and Training Services in 2002

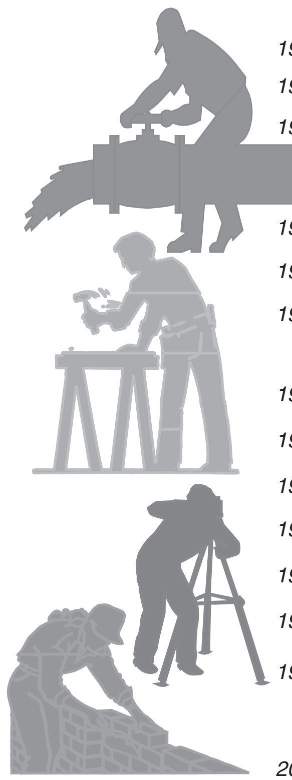
State	UI tax off-set	UI penalty or interest fund	Separate state employer tax
Alabama	•		
California	•		•
Delaware			•
Hawaii			•
Idaho	•		
Indiana		•	
Kansas		•	
Louisiana	•		
Massachusetts			•
Michigan		•	
Montana			•
Nebraska		•	
New Jersey	•		
New Hampshire	•		
New York			•
Nevada			•
Oregon		•	
Rhode Island			•
South Dakota	•		
Tennessee	•		
Texas	•		
Washington	•		
Wyoming	•		

Source: GAO's survey of states that use employer taxes to fund their own workforce programs.

Note: All 23 states that reported having these programs responded to our survey.

California was the first state to use employer taxes for employment placement and worker training in 1982 and other states have followed suit (see fig. 4). In addition to California, 6 other states started using employer taxes to fund employment placement and training services by the end of the 1980s. New Hampshire most recently started to use these tax revenues to fund its program in 2001. Texas is the only state in our survey of programs operating in 2002 that has since terminated its worker training program.

Figure 4: Year that States First Used Employer Taxes to Fund Employment Placement and Training Services



Year employer taxes first used to fund services	State
1982	California
1985	Washington
1986	Delaware, Kansas
1987	Oregon
1989	Alabama, Nevada
1990	Montana
1991	Hawaii
1993	Rhode Island, New Jersey
1994	Michigan
1995	Texas[a]
1996	Nebraska, Idaho, South Dakota
1997	Louisiana, Wyoming
1998	Indiana, New York
1999	Massachusetts, Tennessee
2001	New Hampshire

Source: GAO's survey of states that use employer taxes to fund their own workforce programs.

[a]Texas's program was no longer in operation after 2002.

Some states established their programs as a way to address a variety of specific workforce and economic issues, such as chronic shortages of skilled workers. For example, Louisiana used $1.3 million to create an emergency medical services training program at a local community college after one of the state's largest providers of paramedics and emergency medical care staff reported needing to hire most of its staff from out of state due to a lack of qualified workers. Similarly, to increase the supply of elder care providers, California funded training to certified nurses' assistants so that they could become vocational nurses.

In addition, other states noted that their employment placement and training programs address service and eligibility gaps in federally funded workforce programs. For example, Rhode Island officials said that because federal funds could not be used to provide training to employed workers prior to the passage of WIA, their employer tax-funded program provided employers with training funds specifically to improve employed worker skills.[9] New Jersey and Washington officials also noted that their states used employer tax funds to provide employment placement and training services that are not offered through federally funded workforce programs. Other states, such as Louisiana, used employer taxes to fund training services for individuals who do not meet the income eligibility requirements used in WIA programs.[10]

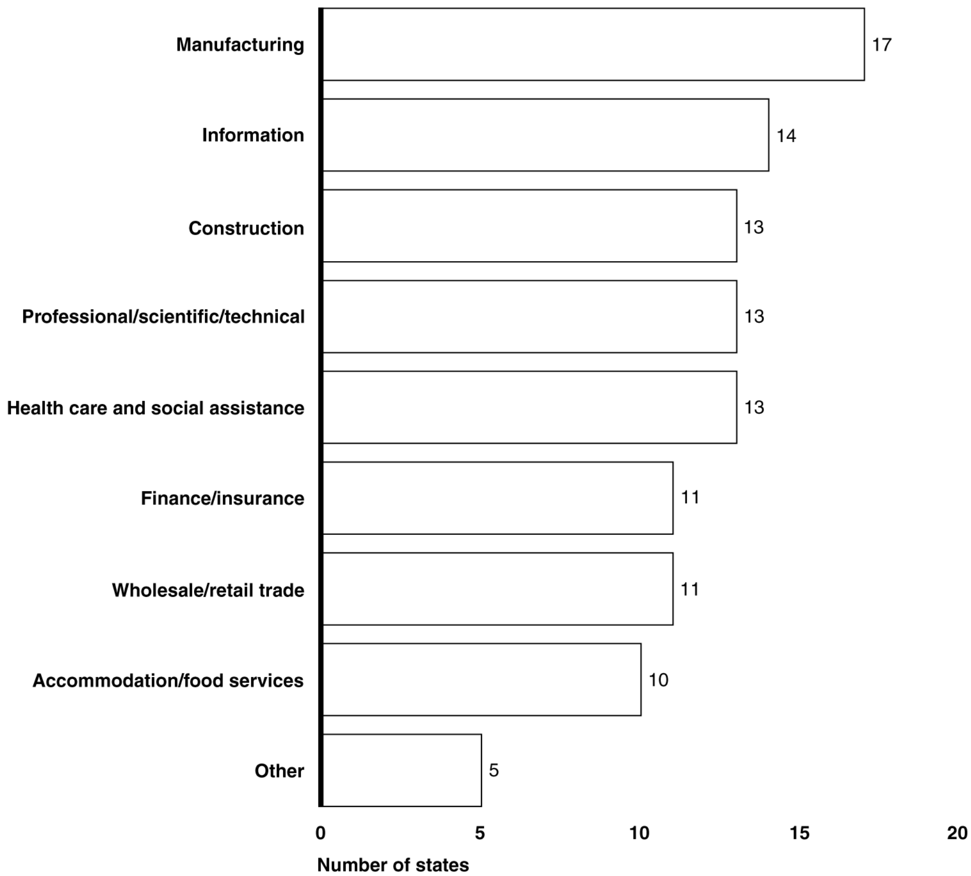
Most states focused on certain industries, particularly manufacturing, because of their overall benefit to the state's economy. California's worker training program specifically targets manufacturing industries because these industries tend to offer high-paying, stable employment. Other industries that were also frequently targeted for training include: information; health care or social assistance; professional, scientific, or technical; and construction. Our earlier study examining how states and local areas are training employed workers found similar results: manufacturing along with health care and social assistance are two of the most commonly targeted economic sectors for training workers.[11] Our survey of employer tax-funded state programs also showed that industries that were least often targeted included wholesale and retail trade, finance and insurance, and accommodation and food service (see fig. 5).

[9]Prior to the passage of federal workforce initiatives like TANF in 1996 and the WIA in 1998, states generally did not use federal funds for employed worker training, because most federally funded services were not primarily intended for employed workers.

[10]In areas where adult WIA funds are limited, priority for in-depth services, such as training, must be given to recipients of public assistance and other low-income individuals.

[11]U.S. General Accounting Office, *Workforce Training: Employed Worker Programs Focus on Business Needs, but Revised Performance Measures Could Improve Access for Some Workers*, GAO-03-353 (Washington, D.C.: Feb. 14, 2003).

Figure 5: Industries Targeted by Most Employer Tax-Funded Programs in 2002, as Reported by States

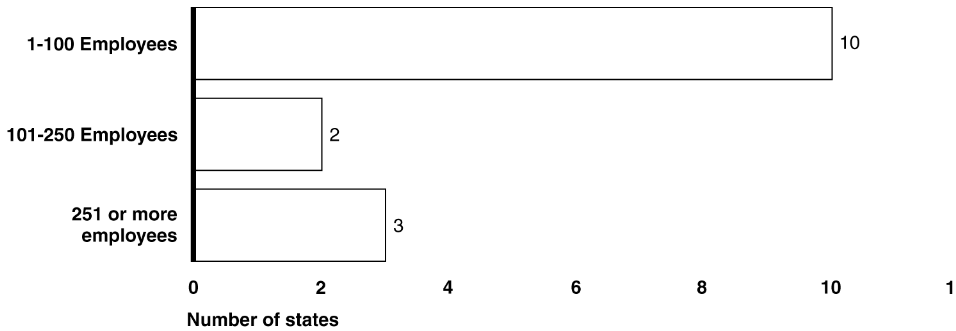


Source: GAO's survey of states that use employer taxes to fund their own workforce programs.

Notes: This figure is based on survey question responses from the 17 states that reported providing training services in 2002. Each state could target multiple industries, therefore, bars will not sum to 17 states. Six states reported that they did not provide training services and were not included in this analysis.

States also targeted their services to certain employers as part of their workforce and economic development strategies. Over 11,000 employers were provided training services, and most states provided services for employers with 100 or fewer employees (see fig. 6). Rhode Island, for example, offered employers with 100 or fewer employees training grants of up to $10,000. Rhode Island officials said that they targeted smaller employers because these employers often do not have the resources to provide their workers with training and that smaller employers make up the majority of the companies in the state.

Figure 6: Size of Employers Targeted for Training Services by Employer Tax-Funded Programs in 2002, as Reported by States



Source: GAO's survey of states that use employer taxes to fund their own workforce programs.

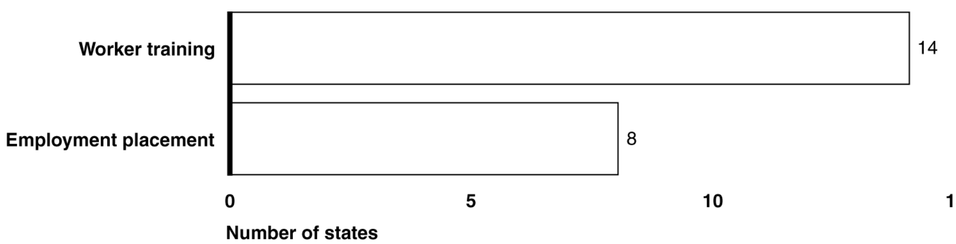
Notes: This figure is based on survey question responses from 15 states. Two states reported, "don't know" to this survey question. Six states reported that they did not provide training services and were not included in this analysis.

States provided services in a variety of ways. States reported providing worker training either directly or through grants awarded to employers or training providers. For example, Louisiana generally awarded grants in amounts that covered an employer's entire training costs. Employers could use these funds to provide training themselves, hire private training contractors, or contract with public training providers. Funded training could occur either during normal working hours or off the clock. Louisiana officials noted that they encouraged employers to use public training providers, most often the state's technical colleges. On the other hand, California required employers to contribute to training-related costs. Employers were expected to match up to 100 percent of the training grant to pay for related expenses, such as worker wages during training or training materials. Officials from California reported that most training grants are awarded contingent upon workers being trained on the job, as opposed to off the clock. States funding employment placement services, such as interview technique and resume writing workshops, provided services directly or through other service providers.

Training Services More Often Funded Than Employment Placement Services

States most often reported that worker training was the primary emphasis of their employer tax-funded programs and spent more on worker training services than on employment placement services (see fig. 7). Fourteen states reported that worker training was the primary emphasis of their programs, and 10 of these states funded worker training exclusively. States spent approximately $202 million on worker training services; this represents 72 percent of the total funds spent on employment placement and training services (see fig. 8).[12] States used these funds to provide a variety of training services. For example, in Louisiana funds were used to provide training related to automobile services and repairs, welding, painting, and sandblasting. Funds were also used in Louisiana to purchase training equipment, such as a Bridge Resource Management Simulator, which was used for river navigation training. States reported providing training services to about 200,000 people and were more likely to focus on the provision of training services to employed workers as opposed to dislocated workers or those receiving UI benefits (see fig. 9).[13] (For a detailed review of states' primary service focus, expenditures by service area, and the number of individuals served in 2002, see app. III.)

Figure 7: Primary Service Focus of Employer Tax-Funded Programs in 2002, as Reported by States



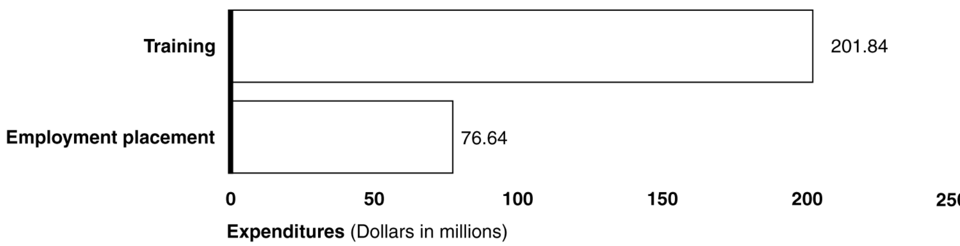
Source: GAO's survey of states that use employer taxes to fund their own workforce programs.

Notes: This figure is based on survey question responses from 23 states. One state reported its primary service focus as "other."

[12]By way of comparison, the 23 states with employment placement and training programs funded by employer taxes received $1.15 billion in WIA adult and dislocated worker allocations in 2002.

[13]Survey data capture the number of individuals that were provided employment placement and training services. However, the data do not describe the extent to which some individuals may have received both employment placement and training services. This does not affect our discussion about the total amount of people that received each service.

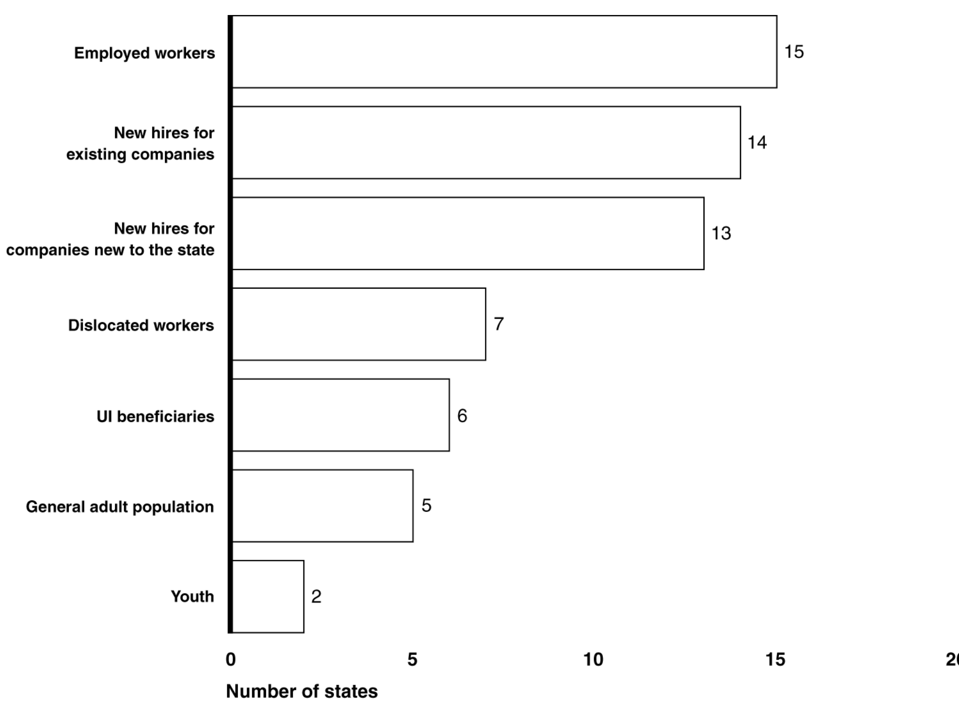
Figure 8: Employer Tax-Funded Program Expenditures by Service Area in 2002, as Reported by States



Source: GAO's survey of states that use employer taxes to fund their own workforce programs.

Notes: This figure is based on survey question responses from 22 states. Delaware, Indiana, Michigan, and South Dakota reported that their program budgets included funds from other sources, making it difficult to isolate expenditures from their state employer tax revenues. While Oregon also reported that its program budget included funds from other sources, Oregon provided us with additional data. Oregon's expenditures included in this figure are those that were solely funded through employer tax revenues.

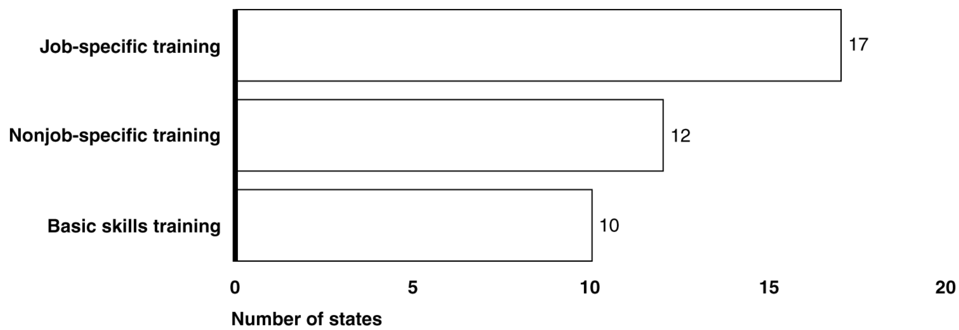
Figure 9: Populations Targeted by Employer Tax-Funded Programs for Training in 2002, as Reported by States



Source: GAO's survey of states that use employer taxes to fund their own workforce programs.

States were most likely to provide job-specific training—such as on new production methods and computer software—and 17 states reported funding these types of services with employer tax revenues (see fig. 10). Officials from Louisiana said that they focus on job-specific training because this type of training contributes to increased worker productivity and company growth. State officials also noted that fostering company growth creates new jobs that can lower state unemployment rates.

Figure 10: Types of Training Services Provided in 2002, as Reported by States



Source: GAO's survey of states that use employer taxes to fund their own workforce programs.

Note: Twenty-three states responded to this survey question.

States were less likely to use employer taxes to provide nonjob-specific training, including conflict resolution, team building, or how to dress appropriately for the workplace. Twelve of the 23 states reported providing this type of training. These findings echo our previous study on worker training that found similar trends: states were more likely to focus state and federal funds on occupational training as compared to nonjob-specific training.[14] Basic skills training—such as math, GED preparation, and English as a second language—is least often provided, with only 10 states reporting they used employer tax revenues to fund this type of training.

Fewer state employer tax-funded programs emphasized employment placement services, such as career counseling, skill assessments, and self-access employment services like Internet job listings and career planning

[14]U.S. General Accounting Office, *Workforce Training: Employed Worker Programs Focus on Business Needs, but Revised Performance Measures Could Improve Access for Some Workers*, GAO-03-353 (Washington, D.C.: Feb. 14, 2003).

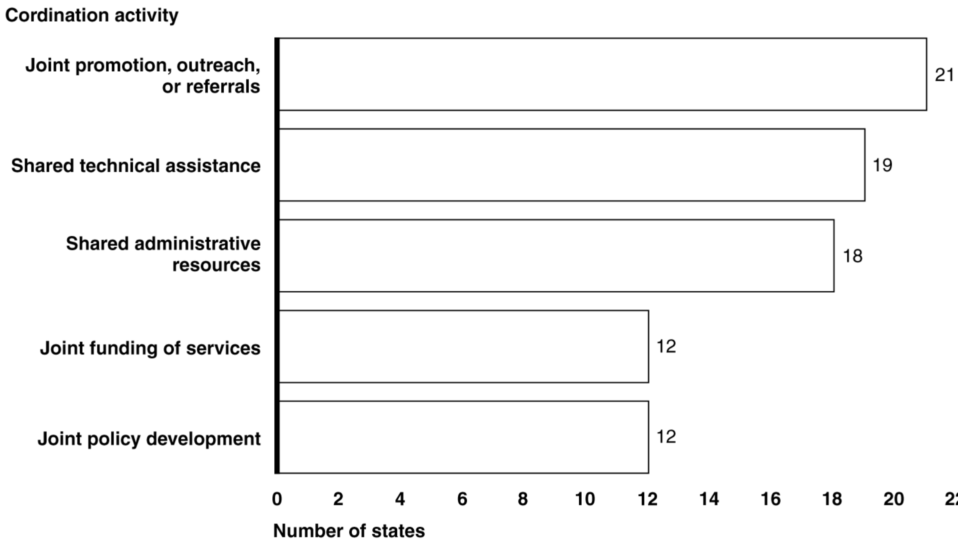
videos. Eight states reported that employment placement was their primary focus, and 6 of these states funded employment placement services exclusively. States reported spending approximately $77 million to provide employment placement services to approximately 1.17 million individuals. Despite the fact that fewer states reported emphasizing employment placement services, the total number of individuals receiving employment placement services is approximately six times as great as the total number of individuals receiving training services.[15] The difference in the number of people served may be attributed to the time and resource intensity of training services compared with employment placement services. For example, Louisiana awards training grants that are up to 2 years in length. In comparison with training services, many of the employment placement services that states reported providing are far less time- and resource-intensive.

Most States with Employment Placement and Training Programs Funded through Employer Taxes Reported Some Coordination with Federal Workforce Programs

Twenty-one of the 23 states with employment placement and training programs funded through employer taxes reported some coordination with federal workforce programs in 2002. The most common coordination activity reported by states was the joint promotion of state and federally funded workforce programs through outreach or referrals (see fig. 11). These promotion activities occurred in various ways. For example, in California, a local workforce investment board and its one-stop center hired staff to make cold calls to companies advertising the benefits of participating in the state-funded training program. In Louisiana, on the other hand, state officials provided information packets to employers about how to upgrade their employees' skills or fill job openings using state and federally funded workforce programs.

[15] As noted previously, survey data capture the number of individuals that were provided employment placement and training services. However, the data do not describe the extent to which some individuals may have received both employment placement and training services. This does not affect our discussion about the total amount of people that received each service.

Figure 11: Coordination Activities in 2002, as Reported by States



Source: GAO's survey of states that use employer taxes to fund their own workforce programs.

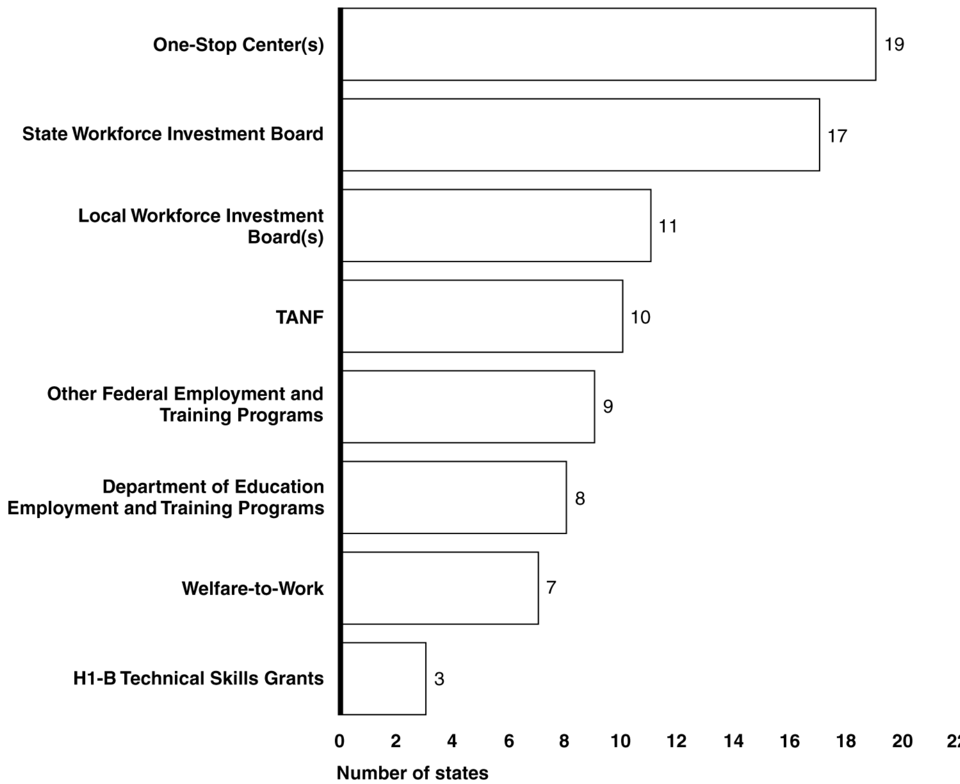
Note: A coordination activity was counted if a state reported it for at least one federal partnership.

In addition, many states reported that they coordinated with federal workforce programs by sharing technical assistance and administrative resources. Technical assistance involves the exchange of program information to improve program practices. For example, in California, staff from both state and federally funded workforce programs worked together on a task force and provided each other with technical assistance to improve services to small businesses. Sharing administrative resources, on the other hand, can involve activities such as using a common management information system, or sharing office space or staff. In Rhode Island, for example, staff at the local workforce investment boards were responsible for administering some of the training grants funded by the state program. Fewer states reported co-funding employment and training services or jointly developing policies with federal workforce programs.

The number of partnerships between employer tax-funded programs and the federal workforce system varied from state to state. Some state programs coordinated with only one federal partner. For example, New Hampshire's program chose to coordinate exclusively with its state workforce investment board. Other state programs coordinated with many federal partners. For example, Delaware's program coordinated with a one-stop center, TANF, the H1-B technical skill grants program, and other federal workforce programs. (For additional information on each state's partnerships with federal programs, see app. IV.)

Although state employer tax-funded programs vary in their relationships with federal workforce programs, some patterns are evident regarding the most common federal partners. The majority of the states (19) reported coordinating with at least one one-stop center during 2002. However, several one-stop centers can operate in a state, and we do not know if states coordinated with more than one of these centers. Thus, it is difficult to gauge the degree of coordination between state-funded programs and one-stop centers within each state. Nevertheless, we do know that many states also reported coordinating with state workforce investment boards, of which there is only one per state (see fig. 12). The number of federal partners that state employer-funded programs have does not seem to be closely associated with the number of years that the state programs have operated. Although Delaware's program is older than New Hampshire's and coordinated with more federal workforce programs, this is not a consistent pattern across the country. For example, Kansas reported fewer federal partners than Louisiana, despite the fact that Kansas's employer tax-funded program has been in existence for about a decade longer.

Figure 12: Number of States Reporting Coordination between Their Employer Funded Programs and Various Federal Workforce Programs, 2002



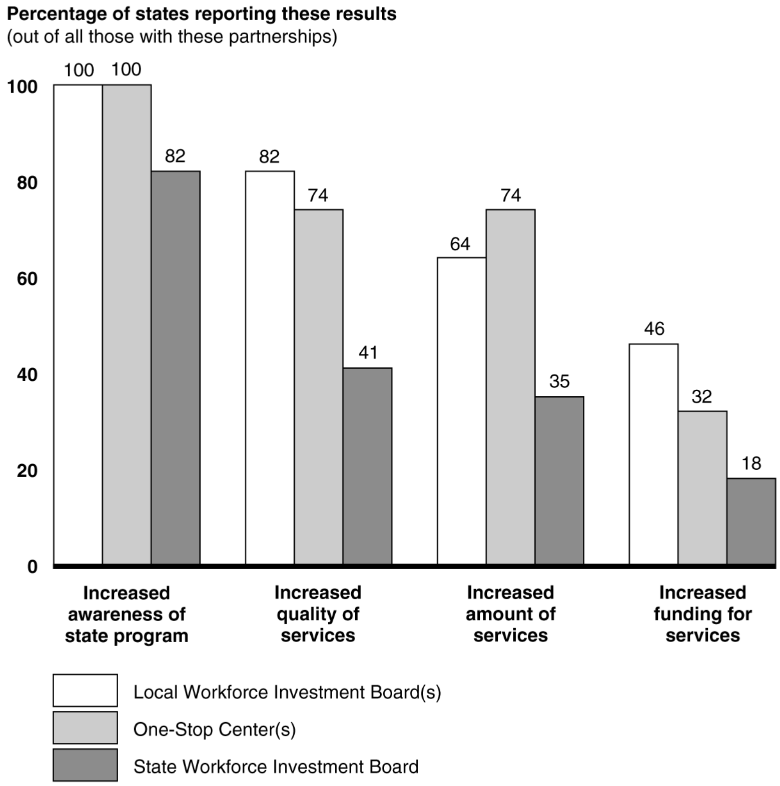
Source: GAO's survey of states that use employer taxes to fund their own workforce programs.

Notes: All 23 states that reported having these programs responded to the survey questions regarding coordination with state workforce investment boards, TANF, other federal employment and training programs, Department of Education employment and training programs, and the Welfare-to-Work program. In addition, 22 states responded to the survey questions regarding coordination with one-stop centers and the H1-B program, while 20 states responded to the question regarding coordination with local workforce investment boards.

The Welfare-to-Work program is a mandated partner of one-stop centers. While all states that reported coordinating with the Welfare-to-Work program also reported coordinating with a one-stop center, not all states that reported coordinating with a one-stop center also reported coordinating with the Welfare-to-Work program. States had the option to list multiple programs under both the "Department of Education Employment and Training" category and the "Other Federal Employment and Training program" category. For the "Department of Education" category, states noted programs such as Adult Education and Literacy and Vocational Education. For the "Other Federal Employment and Training program" category, programs ranged from Veterans' Employment and Training Service to Job Corps. Both the Department of Education category and the Other Federal Employment and Training category included some programs that are mandated one-stop partners.

As a result of their various partnerships with workforce investment boards and one-stop centers, almost all states reported an increase in awareness of their employer tax-funded programs. In addition, some state officials noted that coordination had improved service quality and availability. For example, officials from Michigan and New Jersey's state programs, as well as an official from an Oregon workforce investment board, noted that co-locating staff from the state-funded programs at the one-stop centers improved the services delivered to individuals. By co-locating these programs, state officials said that they can help these individuals learn about a broader range of employment and training services and job opportunities. The Oregon official also pointed out that such co-location can reduce transportation and child care barriers for clients. Coordination can also assist states in improving services to employers. For example, a state official from Idaho reported that having staff members who are knowledgeable about both the state-funded program and WIA programs enables them to better meet the needs of employers looking to expand their businesses or move to the state. Although many state officials noted that coordination had improved services, they were less likely to report increases in funding for employment and training services as a result of these collaborative relationships (see fig. 13).

Figure 13: States Report on the Results of Their Coordination with Federal Workforce Programs, 2002



Source: GAO's survey of states that use employer taxes to fund their own workforce programs.

Notes: All 23 states that reported having these programs responded to our survey. Of these states, all 19 that reported coordinating with at least one one-stop center answered the survey questions on awareness, quality, and amount of services, while 18 of these states answered the funding question. In addition, 15 of the 17 states that reported coordinating with a state workforce investment board answered these survey questions. All 11 states that reported coordinating with at least one local workforce investment board also answered the questions related to awareness, quality, and amount of services, while 10 of these states responded to the survey question regarding funding results.

Almost All States Reported Regularly Assessing the Performance of Their Programs, but Program Impact Cannot be Determined

Twenty-two of the 23 states with employer-funded employment placement and training programs reported assessing the performance of their programs in 2002, though program impacts could not be determined. States reported using a range of approaches to assess their employment placement and training programs, including variations in who conducted the assessments, data collection methods used for the assessments, and the frequency of the assessments. Of the 18 states that could provide assessments of their individual employment placement and training programs, 4 assessed their programs exclusively using process-oriented indicators, while the other 14 used outcome-oriented indicators in their assessments. However, none of the states used sufficiently rigorous research designs to allow them to make conclusive statements about the impact of their programs.

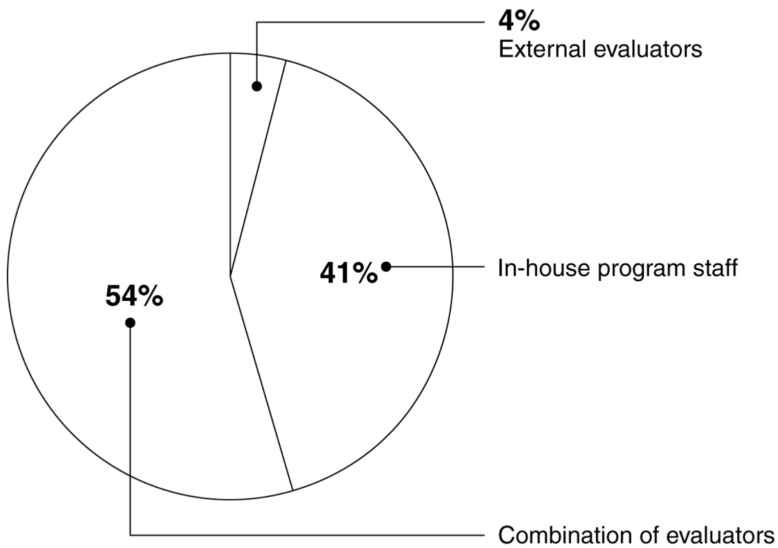
Almost All States Reported Regularly Assessing the Performance of Their Programs in 2002

Twenty-two of the 23 states with employer-funded employment placement and training programs reported assessing the performance of their programs in 2002. States reported using a variety of data collection methods for their assessments, and most states used a combination of data sources for their assessments. For example, Tennessee's assessment was based on data collected from site visits to training locations and surveys administered to employers, while self-reported feedback and a fiscal audit were the data sources used for Texas's assessment. The most commonly used data sources were: surveys, self-reported feedback, and on-site visits. Only 2 states relied solely on quantitative data, such as program expenditures and employment statistics. For example, Alabama used its UI wage database to track how program participants fared in finding jobs.

Most states used a combination of internal and external evaluators for their assessments (see fig. 14).[16] For example, California used both in-house program staff and external evaluators from several state universities to evaluate its program. On the other hand, 9 states used in-house evaluators exclusively, while only 1 state, Indiana, used external evaluators exclusively.

[16]For a detailed review of each state's assessment approach, including the frequency, scope, and conductors of their assessments, see app. V.

Figure 14: Evaluators of State Programs, as Reported by States



Source: GAO's survey of states that use employer taxes to fund their own workforce programs.

Notes: Some states reported using combinations of evaluators, which may include in-house program staff and external evaluators. Percentages do not total to 100 due to rounding.

Furthermore, states conducted their assessments at varying intervals. About two-thirds of the states (14) regularly conducted assessments—annually, quarterly, and monthly. Eight states conducted assessments once training contracts were completed. For example, Tennessee sent surveys to employers once the contracts it awarded were completed.

Results Regarding Program Impact from States' Assessments Cannot Be Determined by Methodologies Used

None of the state assessments used sufficiently rigorous research designs to allow them to make conclusive statements about the impact of their programs. We asked states to provide us with copies of recent assessments of their programs.[17] Although 5 states could not provide us with assessments of their individual employment and training programs, 18 of the 23 states shared recent assessments with us. On the basis of the 28 assessments received from 18 states, we examined indicators used by

[17]While New Jersey's most recent evaluation was included in our analysis of state assessments, New Jersey is the only state that reported it did not regularly assess its program in 2002. The evaluation from New Jersey is based on data collected between 1994 and 2001.

the states and found that 4 assessed their programs exclusively using process-oriented indicators.[18] For example, Hawaii and New Hampshire collected data on the number of businesses served. Likewise, Alabama and Texas both collected data on how many people participated in their programs. Process-oriented indicators help assess a number of factors, including who uses the program, how funds are spent, and how well a program is being implemented.

Fourteen states included outcome-oriented indicators along with process-oriented indicators in their assessments, with 11 states measuring worker wages (see table 3). States also used a variety of other outcome-oriented indicators, including job placement and retention rates of trainees. Outcome-oriented indicators provide important data for states related to changes, such as those in: worker wages, employment stability, and advancement rates.

Table 3: Select Outcome Indicators Used by States in Assessments

	Wage increases	Retention rates	Job placements	Return on investment	Employment stability	Advancement rates	Use of UI benefits
California	•	•		•	•	•	•
Idaho	•						
Indiana	•						
Kansas	•						
Louisiana	•					•	
Massachusetts	•						
Montana				•			
Nebraska	•						
Nevada	•						
New Jersey	•						
New York							•
Oregon			•				
South Dakota	•						
Wyoming	•						

Source: GAO's content analysis of assessments provided.

Although 14 states used outcome-oriented indicators, none used sufficiently rigorous research designs to allow them to make conclusive

[18]For a detailed review of the indicators used in state assessments, see app. VI.

statements about the impact of their programs. Twelve of the 14 states that used outcome-oriented indicators did not use comparison groups in their evaluation design. Without comparing a program's participants to similar nonparticipants, it is not possible to account for other factors, such as an upturn in the local economy, which may have influenced participant outcomes. While 2 states used comparison groups, their methodological design did not allow for the identification of conclusive impacts of these programs because their comparison groups were not comparable enough to their participant groups.

Concluding Observations

To help close the gap between employer needs and employee skills, both federal- and state-funded workforce programs are providing skills training to employees and helping employers find qualified employees. Twenty-three states used employer taxes in 2002 to fund their own employment placement and training programs. These state programs have the potential to enhance the federal workforce system by filling service and eligibility gaps. However, the impact of these programs is unknown because states have not adequately studied them. Because these programs contribute to our nation's ability to provide comprehensive workforce development services to meet employers' needs for skilled workers, it would be helpful to have information on the impact of these efforts.

The Department of Labor's Employment and Training Administration (ETA) Office of Policy Development, Evaluation and Research has valuable resources related to designing and implementing evaluations that might help address this lack of information. Labor has established evaluation coordination liaisons in each state and, although this position was designed to help with evaluations for federal programs, the liaison may be able to direct state program administrators to resources such as ETA's recent review of alternative research methodologies. Furthermore, this liaison could help state administrators access other program evaluation expertise, such as logistical support and technical assistance.

Agency Comments

We provided a draft of this report to the Department of Labor for its review, and Labor provided technical comments. Labor expressed an interest in state employment placement and training programs funded by employer taxes. In addition, Labor acknowledged the importance of collaboration between these state-funded programs and federally funded programs, by noting that it may seek opportunities to better assist states in coordinating their programs with federal Workforce Investment Act programs.

We will send copies of this report to the Secretary of Labor, relevant congressional committees, and other interested parties. Copies will be made available to others upon request. In addition, the report will be available at no charge on GAO's Web site at http://www.gao.gov. Please contact me on (202) 512-7215 if you or your staffs have any questions about this report. Other major contributors to this report are listed in appendix VII.

Sigurd R. Nilsen
Director, Education, Workforce,
and Income Security Issues

Appendix I: Objectives, Scope, and Methodology

We were asked to determine (1) How many states use employer taxes to fund their own employment placement and training programs, and what type of services do they provide;[1] (2) The extent to which these state employment placement and training programs are coordinating with federal workforce programs;[2] and (3) How states are assessing the performance of their employment placement and training programs.

To address these questions, we conducted three surveys, reviewed program evaluations, and visited 3 states. First, we surveyed all 50 states and the District of Columbia and Puerto Rico to identify those that were using employer tax revenues to provide their own employment placement or training programs in 2002.[3] We then conducted a follow-up survey with the 23 states that reported using employer taxes to fund their own programs during state fiscal year 2002.[4] Specifically, we surveyed the state programs that reported receiving the largest portion of employer tax revenues collected in their state to provide employment placement and training services.[5] To gain a perspective on service coordination with federally funded workforce programs, we surveyed staff from workforce investment boards in 6 states that began to fund their employment placement and training programs through employer taxes in the 1980s.[6] We also requested recent assessments from the 23 states we surveyed and reviewed the assessments from the 18 states that could provide them to

[1]When we surveyed states, we asked if they provided employment placement and training services independent of the federal workforce system in 2002.

[2]We asked states if they collaborated with federally funded workforce programs in 2002. We use the term coordinate in place of collaborate throughout this report.

[3]Nineteen states reported that their state fiscal year 2002 covered July 1, 2001 to June 30, 2002; 2 states reported October 1, 2001 to September 30, 2002; 1 state reported September 1, 2001 to August 31, 2002; and 1 state reported April 1, 2002 to March 31, 2003. When we refer to 2002 throughout this report, we mean state fiscal year 2002, as reported by states.

[4]Washington, D.C., did not report using employer taxes to fund their own employment placement and training program. While Puerto Rico did report using employer taxes to fund its own employment placement and training program, Puerto Rico did not respond to our follow-up survey.

[5]Two states reported that they did not know if their employment placement and training program received the largest portion of employer taxes collected in their respective state.

[6]Although Delaware's program began in 1986, a separate survey of Delaware's workforce investment board was unnecessary because the state's employer-funded program also functions as Delaware's only workforce investment board. All coordination questions in our workforce investment board survey were answered by an official from Delaware in our survey of employer-funded state employment placement and training programs.

us.[7] Finally, we conducted site visits to 3 states—California, Louisiana, and Rhode Island.

Survey

To determine how many states used employer taxes to fund their own employment placement and training programs, we surveyed workforce officials from the 50 states, the District of Columbia, and Puerto Rico. This structured survey was administered via e-mail and the telephone and had a 100 percent response rate. Twenty-three states reported that they used employer tax revenues to fund their own employment placement and training programs in state fiscal year 2002.[8]

To determine the types of employment placement and training services states offered, we conducted a second survey of the 23 states that reported using employer taxes to fund these services in our first survey. This survey was designed to obtain information related to program mission, services provided, populations served (individuals and industries), budget size, and expenditures. To determine if states assessed their programs, we also asked questions related to the frequency of program performance assessments and the types of methods used to measure program performance. In addition, we requested copies of recent program assessment reports.

To determine the extent to which state programs coordinated with federal workforce programs, we also asked states to report how their employment placement and training programs worked with federal organizations and programs, including workforce investment boards, one-stop centers, TANF, Welfare-to-Work, H1-B grants, employment placement and training programs administered by the U.S. Department of Education, and other federally funded programs. In addition, we asked states how these coordination efforts affected program awareness, quality of service, available funding, and the amount of employment placement and training services available.

To gain the perspective of officials from federally funded programs on coordination with these state programs, we administered a structured

[7] We obtained additional assessments while conducting our preliminary research on employer tax-funded state employment placement and training programs.

[8] Puerto Rico also reported using employer tax revenues to fund its own program; however, Puerto Rico did not respond to our follow-up survey.

telephone survey to representatives from workforce investment boards operating in 6 states that began their employer tax-funded employment placement or training programs during the 1980s (see table 4).[9] We chose these states with older programs, because we believed that they would have more established partnerships with federal programs and would be able to provide in-depth information on coordination. We surveyed representatives from 5 of the state workforce investment boards.[10] We also surveyed a total of 10 purposively and randomly selected local workforce investment boards. At least one local workforce investment board was surveyed from each state that began operating its employer tax-funded program during the 1980s.

Table 4: The Year Employer Taxes Were First Used to Fund Employment Placement and Training Programs by Selected States

State	Year employer taxes first used to fund services
Alabama	1989
California	1982
Delaware[a]	1986
Kansas	1986
Nevada	1989
Oregon	1987
Washington	1985

Source: GAO's survey of states that use employer taxes to fund their own workforce programs.

[a]As previously noted, although Delaware's program began in 1986, a separate survey of Delaware's workforce investment board was unnecessary because the state's employer-funded program also functions as its only workforce investment board. All coordination questions in our workforce investment board survey were answered by an official from Delaware in our survey of employer-funded state employment placement and training programs.

[9]As previously noted, although Delaware's program began in 1986, a separate survey of Delaware's workforce investment board was unnecessary because the state's employer-funded program also functions as its only workforce investment board. All coordination questions in our workforce investment board survey were answered by an official from Delaware in our survey of employer-funded state employment placement and training programs.

[10]Representatives from Oregon's state workforce investment board did not respond to our survey request.

We included steps in both the survey data collection and data analysis stages to account for and minimize the variability that occurs when respondents interpret questions differently or have different information available to them. For example, survey specialists along with subject matter specialists designed each questionnaire, and we pre-tested each questionnaire with the appropriate target audience to ensure that questions were clear. We pre-tested our workforce investment board survey with representatives from state workforce investment boards and a local workforce investment board. We also reviewed survey questionnaire responses for consistency and in several cases contacted respondents to resolve inconsistencies. However, we did not otherwise verify the information provided in the responses. In order to increase our response rate for each survey, we followed up with program officials through e-mail and telephone contact. We analyzed these survey data by calculating descriptive statistics.

Review of State Program Assessments

We reviewed recent assessments from the 18 states that could provide them to us.[11] Two of those states shared more than one recent assessment with us, all of which we used in our analysis. The assessments we collected ranged from annual reports to budget briefings to strategic plans to external evaluations.

We analyzed these reports by performing a content analysis in which we coded the assessment indicators as outputs (process-oriented data) or outcomes (outcome-oriented data). Furthermore, when provided, we analyzed the research designs states used to assess their programs against standard evaluation research design characteristics as described by Rossi and Freeman (1993)[12] and McBurney (1994).[13]

[11]The remaining 5 states did not share their assessments for a variety of reasons. For example, some states did not have evaluations of their program exclusive of assessments of the federal workforce system, and others did not have evaluations that assessed the program as a whole.

[12]Rossi, Peter H., and Howard E. Freeman. *Evaluation: A Systematic Approach*, 5th ed. Newbury Park, CA: SAGE Publications, Inc., 1993.

[13]McBurney, Donald H. *Research Methods*, 3rd ed. Pacific Grove, CA: Brooks/Cole Publishing Company, 1994.

Site Visits

We selected 3 states for site visits according to several criteria, including the year employer taxes were first used to fund their employment placement and training program. We chose states that were early, mid- and late implementers. Site selection was also based on diverse program funding levels and geographic diversity (see table 5). In each state, we interviewed officials responsible for administering each state's employer tax-funded employment placement or training program to gain further insight into the types of services provided and populations served by these programs. To learn more about the extent to which these state-funded employment placement and training programs coordinate with federally funded workforce programs, we also interviewed officials from each state's workforce investment board. We also interviewed officials from two one-stop career centers operating in each state we visited. We purposively selected these one-stop career centers because they coordinated with employer-funded state programs.

Table 5: Site-Selection Criteria

State	Budget	Year employer taxes were first used to fund services	Geographic location
California	$94,000,000	1982	West
Louisiana	$50,000,000	1997	South
Rhode Island	$8,000,000	1993	Northeast

Source: GAO's survey of states that use employer taxes to fund their own workforce programs.

Appendix II: Employer Tax Collections and Employer Tax-Funded Program Budgets in 2002, as Reported by States

State	Total funds collected through employer taxes to be used in 2002[a]	2002 program budgets	Program solely funded through employer taxes
Alabama	$8,200,000	$5,000,000	Yes
California	$148,900,000	$94,000,000	Yes
Delaware[b]	$3,600,000	$10,300,000	No
Hawaii[b]	$2,000,000	$6,800,000	Yes
Idaho	$3,400,000	$3,400,000	Yes
Indiana[b]	$1,000,000	$4,000,000	No
Kansas	$1,000,000	$100,000	Yes
Louisiana	$50,000,000	$50,000,000	Yes
Massachusetts[b]	$22,200,000	$24,000,000	Yes
Michigan	[c]	$1,500,000	No
Montana	$6,200,000	$286,000	Yes
Nebraska	$1,900,000	$1,900,000	Yes
Nevada[b]	$8,400,000	$9,400,000	Yes
New Hampshire	[c]	$500,000	Yes
New Jersey	$92,400,000	$81,400,000	Yes
New York[b]	$35,000,000	$40,800,000	Yes
Oregon[b]	$9,800,000	$1,189,400,000	No
Rhode Island	$8,000,000	$8,000,000	Yes
South Dakota	[c]	$1,800,000	No
Tennessee[b]	$8,200,000	$19,112,400	Yes
Texas	[c]	$1,200,000	Yes
Washington[b]	$9,700,000	$10,700,000	Yes
Wyoming[b]	$1,300,000	$3,828,366	Yes

Source: GAO's survey of states that use employer taxes to fund their own workforce programs.

[a]Eleven states reported that their employer tax was collected in 2002, and 3 states reported that their employer tax was collected in 2001. Four states reported that employer tax funds used in 2002 were collected in 2001 and 2002. One state noted that tax funds collected in 2002 and from previous years were used in 2002. One state noted that employer tax funds used in 2002 were collected in 1991 and 1995, and another state noted that employer tax funds used in 2002 were collected in 1997. Two states were unable to specify in which year the employer taxes used to fund their programs in 2002 were collected.

[b]These states' program budgets for state fiscal year 2002 were greater than the amount collected through each state's employer tax. Reasons for this disparity varied and included rollovers of unspent funds from previous years. Some states, specifically Delaware, Indiana, Michigan, Oregon, and South Dakota, also used other funding sources in addition to employer tax revenues to pay for these programs. In Indiana, Michigan, and South Dakota at least 50 percent of the funding for these programs came from employer taxes. However, in Oregon employer taxes constituted less than half of the funds used for the program. Delaware did not specify the portion of its program budget funded by employer taxes.

[c]Our survey permitted states to report "DK" or "Don't Know."

Appendix III: Employer Tax-Funded Programs' Primary Emphasis, Expenditures and Numbers Served, in 2002

	Primary emphasis		Numbers serviced by service		Expenditures by service	
State	Worker training	Employment placement	Training	Employment placement	Training	Employment placement
Alabama		•	N/A[a]	122,447	N/A	$5,000,000
California	•		75,000	5,000	$84,200,000	[b]
Delaware[c]		•	1,666	1,666	$3,142,000	$360,000
Hawaii	•		10,000	N/A	$3,300,000	N/A
Idaho[e]			[b]	[b]	$2,600,000	[b]
Indiana[cf]	•		2,780	[b]	$33,000,000	$14,000,000
Kansas		•	N/A	1,134	N/A	$100,000
Louisiana	•		17,564	N/A	$18,610,000	N/A
Massachusetts	•		27,000	N/A	$21,700,000	N/A
Michigan[cf]		•	N/A	185	N/A	$2,820,000
Montana	•		1,100	N/A	[b]	N/A
Nebraska	•		16,732	N/A	$1,800,000	N/A
Nevada		•	4,256	8,310	$1,000,000	$1,000,000
New Hampshire	•		939	N/A	$180,000	N/A
New Jersey	•		34,685	0	$11,800,000	[b]
New York		•	N/A	332,000	N/A	$39,700,000
Oregon[c]		•	[b]	462,549	$5,500,000[g]	$4,300,000
Rhode Island	•		[b]	[b]	$3,000,000	$560,000
South Dakota[c]	•		2,051	N/A	$1,100,000	N/A
Tennessee	•		4,200	N/A	$8,600,000	N/A
Texasd	•		[d]	N/A	$390,000	N/A
Washington		•	N/A	252,487	N/A	$8,800,000
Wyoming	•		1,081	0	$1,920,000	[b]

Source: GAO's survey of states that use employer taxes to fund their own workforce programs.

[a]We use the not applicable notation "N/A" for states that did not provide this service.

[b]Applicable data not provided.

[c]Delaware, Indiana, Michigan, and South Dakota reported that their program budgets included funds from other sources, making it difficult to isolate expenditures from their state employer tax revenues. While Oregon also reported that its program budget included funds from other sources, Oregon provided us with additional data. Oregon's expenditures included in this figure are those that were solely funded through employer tax revenues.

[d]Texas was unable to provide us with the number of individuals that received training services in 2002.

[e]Idaho reported its program emphasis as "other."

[f]Indiana and Michigan reported expenditures that exceeded their program budgets.

[g]Oregon, however, noted in our survey that it did not provide training in 2002.

Appendix IV: Coordination between Federal Workforce Programs and State Programs Funded through Employer Taxes in 2002

State	State Workforce Investment Board	Local Workforce Investment Board(s)	One-Stop Center(s)	TANF	H1-B Technical Skills Grants	Welfare-to-Work	Department of Education, Employment, & Training Programs	Other Federal Employment & Training Programs
Alabama			•	•		•	•	•
California	•	•	•					•
Delaware	•	N/A	•	•	•	•	•	•
Hawaii	•	•	•					•
Idaho	•	•	•	•			•	
Indiana		•						
Kansas			•					
Louisiana	•	•	•					
Massachusetts	•	•	•		•			
Michigan			•				•	•
Montana	•		•	•		•	•	
Nebraska	•		•					
Nevada	•	•	•	•		•	•	•
New Hampshire	•	N/A						
New Jersey	•	•	•					
New York	•	•	•	•		•	•	•
Oregon	•	•	•	•	•	•		•
Rhode Island	•	•	•	•	[a]	•	•	
South Dakota	•	N/A	•					
Tennessee								
Texas			[a]					
Washington	•	[a]	•	•				
Wyoming	•	N/A	•	•				•
Totals	**17**	**11**	**19**	**10**	**3**	**7**	**8**	**9**

Source: GAO's survey of states that use employer taxes to fund their own workforce programs.

Notes: All 23 states that reported having these programs responded to the survey questions regarding coordination with state workforce investment boards, TANF, other federal employment and training programs, Department of Education employment and training programs, and the Welfare-to-Work program.

In addition, 22 states responded to the survey questions regarding coordination with one-stop centers and the H1-B program, while 20 states responded to the question regarding coordination with local workforce investment boards.

N/A signifies not applicable and is listed for Del, N.H., S.Dak., and Wyo. These are states that have a single workforce investment board, which functions as both the state and local board.

The Welfare-to-Work program is a mandated partner of the one-stop centers. While all states that reported coordinating with the Welfare-to-Work program also reported coordinating with a one-stop center, not all states that reported coordinating with a one-stop center also reported coordinating with the Welfare-to-Work program. States had the option to list multiple programs under both the “Department of Education Employment and Training” category and the “Other Federal Employment and Training” category. For the “Department of Education” category, states noted programs such as Adult Education and Literacy, and Vocational Education. For the “Other Federal Employment and Training” category, programs ranged from Veterans’ Employment and Training Service to Job Corps. Both the “Department of Education” category and the “Other Federal Employment and Training” category included some programs that are mandated one-stop partners.

[a]Denotes that a state did not respond to this question.

Appendix V: Assessment Approaches Used in 2002, as Reported by States

State	Frequency	Scope	Evaluator
Alabama	Monthly	Program	In-house program staff
California	Quarterly, annually and as contracts are completed	Program and contracts	In–house program staff and external evaluators
Delaware	Quarterly	Program and contracts	In-house program staff and contract recipient staff
Hawaii	Quarterly	Contract	In-house program staff and contract recipient staff
Idaho	Monthly	Program and contracts	In-house program staff and contract recipient staff
Indiana	Quarterly	Contract	External evaluators
Kansas	As contracts are completed	Program	In-house program staff
Louisiana	Quarterly, annually and as contracts are completed	Program and contracts	In-house program staff and contract recipient staff
Massachusetts	As contracts are completed	Program and contracts	External evaluators and contract recipient staff
Michigan	Annually	[a]	In-house program staff
Montana	As contracts are completed	Program and contracts	In-house program staff
Nebraska	As contracts are completed	Program and contracts	In–house program staff, external evaluators and contract recipient staff
Nevada	Monthly	Program	In-house program staff
New Hampshire	As contracts are completed	Contract	In-house program staff and contract recipient staff
New Jersey[b]	Not available	Not available	Not available
New York	Monthly	Program	In-house program staff
Oregon	Annually and monthly	Program	In-house program staff
Rhode Island	Annually	Contract	In-house program staff and contract recipient staff
South Dakota	As contracts are completed	Contract	In-house program staff and contract recipient staff
Tennessee	As contracts are completed	Contract	In-house program staff, external evaluators, and contract recipient staff
Texas	As contracts are completed	Program and contracts	In-house program staff and contract recipient staff
Washington	Quarterly	Program	In-house program staff
Wyoming	Quarterly	Program and contracts	In-house program staff

Source: GAO's survey of states that use employer taxes to fund their own workforce programs.

[a]Michigan's performance assessments were conducted against agreed upon goals and objectives for each of the program's local areas.

[b]New Jersey is the only state that reported it did not regularly assess its program in 2002.

Appendix VI: Indicators Used in State Assessments

State	Indicators	
	Process-oriented	Outcome-oriented
Alabama	•	
California	•	•
Delaware	Not available	Not available
Hawaii	•	
Idaho	•	•
Indiana	•	•
Kansas	•	•
Louisiana	•	•
Massachusetts	•	•
Michigan	Not available	Not available
Montana	•	•
Nebraska	•	•
Nevada	•	•
New Hampshire	•	
New Jersey	•	•
New York	•	•
Oregon	•	•
Rhode Island	Not available	Not available
South Dakota	•	•
Tennessee	Not available	Not available
Texas	•	
Washington	Not available	Not available
Wyoming	•	•

Source: GAO's content analysis of assessments provided.

Appendix VII: GAO Contacts and Staff Acknowledgments

GAO Contacts

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Staff Acknowledgments

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