

EXECUTIVE SUMMARY

This report has been prepared as part of a contract awarded by the U.S. Department of Labor (DOL) to conduct an Evaluation of the Individual Training Account/Eligible Training Provider (ITA/ETP) Demonstration. This summary reflects the findings reported in the Final Report for the evaluation. As such, it describes what grantees accomplished with their grant funds, the ITA policies and practices they formulated, how ETP lists were assembled, what information was available in Consumer Report Systems, and how training providers responded to the ETP system.

BACKGROUND

The Workforce Investment Act (WIA) of 1998 brought about substantial changes in services provided to persons seeking employment and training assistance. An important element of WIA is the requirement that training services be provided, with certain limited exceptions, through individual training accounts (ITAs), which can be thought of as a voucher that customers can use to pay for training of their choice, so long as the training program is on an approved list (the eligible training provider list). To help customers make prudent training choices, eligible programs must meet minimum levels of performance established by the states, and information about them (e.g., costs of the training, its duration, and the employment and other outcomes achieved by prior cohorts of trainees, among other things) is to be assembled in a Consumer Report System (CRS) maintained by the state and distributed throughout the state's One-Stop system. The establishment of ITAs and eligible training provider (ETP) lists is intended to empower customers, while promoting accountability among states, local areas, and service providers in meeting customers' needs.

In the summer of 1999, DOL issued a Solicitation for Grant Applications for the Individual Training Account/Eligible Training Provider (ITA/ETP) Demonstration. This announcement emphasized that DOL was interested in identifying "a national group of vanguard sites" who were committed to implementing ITAs and establishing ETP systems "informed by best practice and insight from the field." Chief goals of the demonstration as outlined by DOL include support for system-building at the state and local levels, rigorous testing of several key models or approaches to the establishment of an eligible training provider process and ITA payment system, identification of key components of effective ITA implementation, and the development of a learning

network for information sharing, both across demonstration sites and to the larger employment and training system. Each grantee was to receive an amount of up to \$500,000 for a grant period that was to last 18 months.

In March of 2000, DOL announced that it had selected thirteen grantees to participate in the demonstration project, located in as many different states. Six of these grantees are local workforce investment areas that applied individually or on behalf of a group of local areas. The other seven grantees are states. Of these seven states, four are collaborating with some subset of the state's local areas, while the other three states are developing statewide systems and strategies.

The evaluation of the ITA/ETP Demonstration, being undertaken by Mathematica Policy Research (MPR) and Social Policy Research Associates (SPR), consisted of a process study that entailed two rounds of multi-day site visits to each of the thirteen grantees and their local-area partners, including visits to 28 separate local workforce investment areas over both rounds. The first round occurred in the summer and fall of 2000, and the second round occurred in the fall of 2001 through early 2002. Each site visit involved interviews at both the state and local levels, regardless of whether the grantee was itself a state or local area. The Final Report for the evaluation, on which this summary is based, draws on both rounds of data collection and thus represents a comprehensive accounting of the evaluation's findings.

Also to gain an understanding of ITA issues, DOL has funded a separate experimental evaluation in which the efficacy of three different training regimens is being compared. These three vary according to (a) the maximum amount of the ITA that can be awarded a customer for training and (b) how much guidance and direction customers must receive from their case managers before their training choice will be approved. Interim results from the ITA experiment, to be available in late 2004, will provide important additional information to complement the findings reported here, with final results due in late 2005.

GRANT PLANS AND IMPLEMENTATION OF THE ITA/ETP DEMONSTRATION

With respect to the ITA/ETP Demonstration, most grantees were not starting their ITA system development from scratch when their demonstration grants were awarded. In fact, almost all had moved sharply away from the exclusive use of contract training in the waning years of JTPA and towards individual referral methods, and most claimed previous experience with using vouchers for training, either as a

grantee under the former Career Management Account demonstration or as part of similar state-funded pilot programs. A few had also developed lists of local training providers that were viewed as preferred, and they had assembled some basic performance information about them. One-Stop implementation grants that states had received from DOL during the mid- to late-1990s also helped establish the infrastructure that grantees needed to serve adult and dislocated worker customers in a WIA framework. In a sense, then, the ITA and ETP requirements mandated by WIA were not entirely new.

This prior progress notwithstanding, the transition to the use of ITAs and the development of ETP lists entailed substantial additional work that funds from the ITA/ETP Demonstration grant helped support. When we examined their grant plans, grantees identified a wide variety of ways in which they would be using their grant funds to help facilitate these changes. Their grant objectives ranged from the very broad activities associated with WIA implementation that all states and local areas needed to carry out (e.g., develop ITA policies, build a Consumer Report System), to quite specific features of these systems (e.g., develop a code of ethics for vendors).

Grant objectives can also be categorized with respect to their major area of focus. The most common cluster of objectives related to efforts to build state Consumer Report Systems (CRS), including assembling performance and other data about vendors and developing the computer systems needed to make this information readily accessible to customers. A few grantees additionally were interested in building a local CRS, either as a supplement to the state's emerging system or as a temporary substitute to make up for the fact that a functioning state system was not expected imminently. Capacity building was another key objective specified by many grantees, but the specifics varied. One grantee wanted to hire experts in assessment and counseling to work with customers and coach case managers; another wanted to develop a curriculum for a peer-managed workshop; others wanted to develop and deliver training workshops for staff or develop computer modules that staff could access as a resource. The third largest category of grant objectives related to developing or testing ITA policies; for example, one grantee was trying to facilitate coordination and joint policy development with adjacent local areas. Finally, some grantees were using their grant funds for a variety of other purposes, such as to develop fiscal or tracking software, automate the training provider application process, or develop alternative ITA payment mechanisms, among other things.

As the above description suggests, grantees typically used their funds as part of the broader system-wide transformation of their workforce systems associated with the enactment of the WIA legislation, including at the level of both state-wide system design and local-level implementation. In this context, grantees found their grant funds very helpful in supporting this change; concretely, for many grantees the grants meant the difference in being able to hire an additional staff member or two specifically devoted to some facet of ITA or ETP issues (e.g., reviewing vendors' applications for the ETP list, developing software, etc.), and thereby enabled grantees to devote much more attention to particular implementation challenges than might have been possible otherwise. Moreover, as another tangible benefit of the demonstration, grantees greatly benefited from the exchange of ideas and information among each other, and within their states and regions.

In some cases, we can also point to specific innovations that grant funds supported that might not have been attempted otherwise. Although not many of them were fully implemented at the time the grants ended, these local innovations include:

- Strengthening support for customers in making training choices by hiring experts in the assessment of occupational skills and interests, developing local Consumer Report Systems, managing peer-to-peer counseling workshops, and developing online customer messaging boards.
- Increasing training choices, such as by incubating Individual Learning Accounts (a broader variant of ITAs in which employers contribute funds for their employees' use) and encouraging employers to add in-house training to the provider lists.
- Refining software, such as for systems to automate the vendor application process, track ITA payments and obligations, and allow vendors to submit comments to case managers regarding students' attendance and academic progress.
- Experimenting with alternative ITA payment mechanisms, such as "smart-cards" and checkbooks.

Many of these innovations will merit further scrutiny when they are fully functioning.

CUSTOMERS' USE OF ITAS

All of the grantees had embraced the ITA model for providing training services and generally seemed enthusiastic about its possibilities for empowering customers. At the same time, they varied in the emphasis they placed on training services, as opposed

to core and intensive services, in the WIA context. Thus, some states and local areas sought to continue the high levels of funding for training that they had experienced under the Job Training Partnership Act (JTPA), while others adopted a strategy of emphasizing core and intensive services, and as a consequence cut back on investments in training considerably.

The number of local areas that fell into these two categories changed from the first-round to second-round site visits, reflecting an evolving policy context. In the first round of site visits, we found a greater number of local areas that were limiting funding for training because they perceived WIA to embody a strong “work-first” philosophy. However, by the second round of site visits, the interest in work first and a corresponding de-emphasis on training had clearly waned. One reason for the shift was that states and local areas had come to a greater sense that a focus on meeting customers’ needs with whatever services were deemed appropriate and necessary was wholly consistent with WIA. As other reasons for the change, some sites were generally more reticent to use funds for training early in WIA implementation, because they had fears of funding shortfalls, encountered a strong economy that made job placements relatively easy to obtain, and were to some degree unsure of when and for whom training could be authorized. By the second round of site visits, these concerns had lessened considerably.

Given the overall emphasis they placed on training, sites also needed to decide the extent to which they would use ITAs as opposed to non-ITA training alternatives, such as contract training and customized training. We found that nearly all of the 28 local areas we visited were planning on using ITAs predominantly—and in many cases exclusively—for their training for adults and dislocated workers. However, three local areas were expecting to make heavy use of non-ITA alternatives. Of these, some cited the advantages of contract training under some circumstances, such as in meeting the training needs of customers that were hard to serve (e.g., those with limited English-language skills). Others made considerable use of customized training with employers, noting that it was virtually assured of leading to job placements for training customers, typically provided them with an income stream while they underwent training, and advanced the areas’ economic development objectives very directly.

As part of WIA implementation, all sites also needed to develop policies to guide the way that customers move through core and intensive services before reaching training. No local area established fixed durations during which customers needed to

stay at one service level before advancing to the next one. Nonetheless, on average it took customers a few weeks, up to several months, to complete at least one core and one intensive service, make a decision to train, and select a training program. The average duration varied across sites depending on the rhythm of case management appointments and the extensiveness of the assessment and counseling that sites normally provided to their customers. Within-site variation in durations was even more pronounced and was due to a number of factors. Among the most important of these was the customer's own diligence in conducting the necessary research on alternative training programs and scheduling and keeping appointments with the case manager. Additionally, case managers adopted a flexible approach to dealing with their customers, so that durations varied depending on customers' unique needs. Thus, customers who were evidently in need of training and who had clear expectations for training that were recognized by One-Stop staff as being reasonable tended to navigate the early service levels quickly. Overall, then, a central tenet of WIA that services should be customer driven and based on the individual's own needs appears to have been realized.

The customer focus is evident as well in the process that sites used to help customers make training choices. We characterize the approach that nearly all sites used as corresponding to an "informed choice" model. According to this model, One-Stop centers ensure that those authorized for training receive ample information, guidance, and assistance, so that they can make prudent choices for themselves. Operationally, it meant that customers would be required to undertake an assessment of their skills and abilities, and engage in labor market and other research, before an ITA would be issued. Similarly, most sites required customers to conduct field research, such as by visiting several vendors and interviewing former trainees and employers who hire in the career area in which the customer wants to undertake training. Other sites required that customers attend workshops that were either given by case managers or were peer-managed. Sometimes also customers needed to submit a formal application, in which they identify the training field and vendor they have chosen and justify their decision on the basis of assessment results and the research they have conducted. Because customers followed these steps, case managers felt that customers largely came to identify appropriate training choices on their own. Meanwhile, front-line staff played a key role in serving as "guides" or "facilitators," striking what seemed to be an appropriate balance between lending the benefit of their expertise while not being overly directive. Given the predominance of the informed choice model, our

interviews and observations lead us to the conclusion that customers are effectively the decision-makers almost always.

Their choice, however, is subject to certain limitations established by state and local policy. For example, in keeping with the WIA legislation, training can only be funded if it is for an occupation in demand. Some local areas meet this requirement by drawing on lists developed by the state's labor market information research unit, other sites used locally-developed lists, and many others relied on the judgement of the case managers, who were recognized as being well informed about the local labor market.

Other restrictions related to dollar or time limits. Nearly all of the sites set a dollar cap on the amount of the ITA that would be funded, but these varied widely across sites, from a low of \$1,700 to a high of \$10,000, with an average of about \$5,000. Nearly all sites also had time limits on the duration of training that they would support, which they usually set at two years. Tuition and fees, as well as books, uniforms, and equipment, would normally be funded by the ITA, and supportive services would be provided from a separate pot of money. Overwhelmingly, these policies were imposed by local areas; although states were allowed to impose limits of their own, they generally felt that these decisions should be left as a local prerogative.

Even with these limits, sites could be investing a substantial amount on each trainee. For this reason, and in keeping with WIA's requirements, trainees were always expected to seek out other sources of funding, such as by applying for a Pell grant. Typically, the amounts they received from these sources were applied to the cost of the training, with the ITA paying any balance due. Some sites, however, used the ITA to pay for the tuition and allowed customers to keep Pell funds for their living expenses. All sites required customers to apply for a Pell grant, but coordination with other funding sources, such as the trade programs and vocational rehabilitation, was more limited.

As a way of ensuring that their training dollars represented worthwhile investments, and because performance accountability is so central to WIA, sites have an interest in doing what they can to ensure that their ITA holders complete the training and obtain a well-paying job afterwards. Thus, all sites made provisions for keeping abreast of the trainee's progress and attempted to address problems as they arose. Some sites were more proactive than others were, but virtually all maintained at least monthly contact with WIA customers in training. Sites also varied in whether they

primarily relied on the vendors to assist customers with post-training job placements, or assumed that burden themselves.

Given that their performance is publicly displayed as part of the Consumer Report System, vendors also have a clear stake in the trainee's success, and thus they too played a part in monitoring the customer's progress. Along these lines, proprietary schools—at least those that we visited as part of this study—seemed very attentive to students' needs for extra assistance, and were aggressive in helping their students find jobs once the training was completed. By contrast, although community colleges offered counseling and placement services, they were typically less proactive in their approach.

DEVELOPING THE ETP LIST

Consistent with the WIA legislation, ITAs can be redeemed only by vendors whose programs are “eligible”—certified by states and local workforce areas as meeting acceptable levels of performance.

Although called an eligible training *provider* list, the ETP list should more properly be thought of as a list of eligible training *programs*, since it is individual programs and not providers that need to be approved. In keeping with this, vendors need to apply for eligibility for each of the training programs for which they are seeking ITA eligibility. This requirement poses the question of what should count as a training program for eligibility purposes. In one difference across states, some require the same vendor to submit separate applications for programs that were offered at separate locations (e.g., branch campuses), even when the curriculum was identical. Beyond that, most states we studied allow vendors to self-define programs, so long as they do so within the confines of guidance issued by DOL that defines programs as courses that, upon successful completion, lead to skills or competencies needed for a job. A few states adopt the narrower restriction that the program must also lead to a degree or certificate, on the grounds that doing so promotes the state's ability to meet the credentialing rate, one of the core indicators of performance on which states are judged. To adopt this approach without unduly limiting customer choice, some states encourage vendors to develop a certificate specifically for course offerings that would otherwise not result in one.

Regardless of the definitions they used, sites were generally eager to widely publicize the ETP application process and have as many vendors apply for initial

eligibility as possible. Thus, although their relative roles varied across the states we studied, both states and local areas took active roles in marketing to vendors, such as by sending them application packets, communicating with former JTPA providers, or holding informational sessions in the community. Almost all states automated the application process, both to make it easier for vendors to apply and also to expedite the state's and local areas' roles in processing applications and entering the data into an electronic ETP listing. Those states without an electronic application found the process substantially more burdensome.

All of the states require the same basic vendor and program information on the application form, including the institution's name and address, the name of the program for which eligibility is being sought, whether certificates or degrees are awarded, hours of instruction, credits to be earned, and costs. Some application forms are very simple and streamlined, asking for just this basic information. Other states have somewhat more elaborate information requests that include other attributes of the institution (e.g., whether it provides job search assistance, on-site child care, and counseling services) and program (e.g., program schedules, criteria for admission, qualifications of instructors, average class sizes, curriculum, and accessibility to public transportation). Several states also asked for information on program performance, but only two states of the 13 we visited established performance requirements for initial eligibility. The others did not do so, because they felt ill equipped to make decisions regarding performance benchmarks at such an early stage and because they wanted to minimize the burden on vendors at the outset. In general, vendors found the initial application process to be easy and straightforward, but some found it to be very burdensome. The latter response was more likely in those states with more complex application forms and processes.

In keeping with the legislation, the approval process for initial eligibility basically worked the same way in all the sites we visited—local areas would first review the applications, make a judgement of whether the application should be approved, and then pass the application on to the state, along with the local area's recommendation, for the state's final disposition. One difference was that some states had vendors submit their applications directly to the local areas, while other states had vendors submit their applications to a central state clearinghouse, which then forwarded the applications to the local areas for their review. The latter approach was viewed as easier for vendors, in that it standardized the application process.

Because states were eager to develop an extensive ETP list and performance requirements were not usually imposed at the outset, nearly all applications for initial eligibility were approved virtually everywhere. Moreover, in their efforts to help vendors through the application process, local areas often made every effort to figure out how to fix an application (e.g., by phoning vendors to retrieve missing information from application forms), rather than summarily dismiss it. Perhaps because of the extra effort that locals put forth, some local-area respondents reported that the review process was extremely tedious and time-consuming.

Apart from the amount of effort involved, some local areas were also concerned about what might happen if different areas set different local standards for approval. Several of the local areas we studied were attempting to develop a regional approach to ETP review to eliminate this possibility. To accomplish the same objective, one state issued a policy that explicitly prohibited a vendor whose application was denied eligibility by one area from resubmitting elsewhere, and another stipulates that a vendor can apply only to the local area in which its main administrative offices are located. Still another requires vendors to submit to the multiple local areas in which they want to provide training services and gives each local area the chance to approve or reject the application and display its decision as part of the ETP list. More informally, case managers in a number of states admitted that they could not envision authorizing an ITA if the customer had selected a vendor that the local area did not deem to be acceptable.

Contentions around vendor approval were expected to be much more acute when states began subsequent eligibility. In only one state of the thirteen we visited had subsequent eligibility begun at the time our second-round site visits were conducted. Most other states were planning on starting subsequent eligibility on January 2002, or later in that year. Two states, however, asked for a waiver from DOL to delay subsequent eligibility for several years more.

Seven of the eleven states that were intending to start subsequent eligibility by 2002 had reached decisions about what their performance requirements for vendors' programs would be. Two states set standards on just a few of the seven performance measures mentioned in the legislation but not the others. Three states set standards on all or most of the seven measures, but expected vendors to meet the standards on just some of them (e.g., four of the seven), while two states established standards on all seven and expected vendors to meet them all.

Not only did the general approach vary across states, but the absolute levels of performance that vendors were expected to meet for their programs varied widely as well. For example, standards established on the all-student completion rate ranged from a low of 25% in one state to a high of 70% in another, and standards on the all-student wage rate at placement ranged from the federal minimum wage to \$7.50 per hour or more. In keeping with the legislation, local areas are able to establish performance requirements beyond those imposed by the states. For example, some states allow local areas to establish higher (but not lower) performance standards, or add additional measures. In fact, however, almost none did so. A few states also granted locals the discretion to grant waivers to vendors who miss the state's standards, so long as they can justify their decision (e.g., because the vendor serves an especially hard-to-serve population).

Rationales for the decisions that states made with respect to their approaches reflected some similar themes, even if they did often lead to very different decisions. Among the most common considerations was the states' effort to strike a balance by establishing performance criteria that are rigorous enough to ensure high quality, while not establishing them so high that so many vendors will be excluded from the ETP list that customer choice will be unduly restricted. Some states also mentioned that they were endeavoring to base standards on existing performance requirements for vendors (e.g., from other licensing bodies). At the same time, many states voiced the fear that, whatever choices they made, the eligibility list would contract substantially once subsequent eligibility actually began, because of vendors' reluctance to undertake the effort involved in assembling their performance information.

Partly to address vendors' concerns in this regard, ten of the thirteen states we studied were planning on bearing most of the burden for measuring performance outcomes on the vendors' behalf, through matching with Unemployment Insurance wage systems. Thus, vendors submit "seed records" containing students' Social Security Numbers and identifying information about the training program to a state agency, who will in turn conduct the UI matching to measure the five of the seven performance measures that relate to employment outcomes. Two states are also attempting to measure the vendors' program completion rates as well, at least for public training institutions, by conducting matches with state postsecondary enrollment databases maintained at the state level. In contrast to the above strategies for data capture, three states rely primarily on having vendors self-report data for all or most

measures, which they typically are expected to gather through trainee or employer surveys.

Regardless of what approach they are taking, most states gave some attention to establishing common definitions of key terms to ensure comparability of the performance data that result, including defining who counts as a participant or a completer. States greatly vary in the decisions they have made and the extent to which they have provided clear and consistent guidance to the vendors in their states. Thus, the comparability of performance data across states, and to some degree even within states, could be compromised.

COMPLETENESS OF CONSUMER REPORT SYSTEMS

A key element of the training system envisioned by WIA is for there to be strong information systems to support customer choice through the Consumer Report System (CRS). During the several years of our study, the states' Consumer Report Systems have been evolving dramatically. From nascent or non-existent systems at first, all of the thirteen demonstration states now have databases with at least basic information about training programs. Of these, all but one are searchable, in that a customer can identify search criteria to generate a list of matching programs. Key search criteria available in most or all of the states include program or provider name, location (e.g., city or zip code), and training occupations.

Information about the programs available on the CRS typically includes program costs and program duration, as well as basic information about the vendor. Some systems additionally provide information on the course schedule (e.g., such as whether day, evening, or weekend schedules are available), occupational training areas, course content, and performance information (for some, but rarely all, of the seven required measures). Less common are systems that provide information on entrance requirements, additional services offered (e.g., on-site child care, counseling), and accessibility (e.g., whether parking is available, access from public transportation), among other things.

With respect to the array of choices available to customers, our Internet searches revealed that the absolute size of the ETP lists varies dramatically across the thirteen demonstration states, from a low of about 100 vendors and fewer than a thousand programs in smaller states, to a high of hundreds of vendors and nearly 10,000 programs in the larger states. The composition of these lists also varies dramatically.

For example, public educational institutions make up just 10% of all institutions on the list in one state, but 45% of them in another. However, public institutions have a much greater number of program offerings on average than do vendors of other types. Thus, in twelve of the thirteen states we studied, the public educational institutions account for at least half of all program offerings, and in one case almost 90%. Put differently, private for-profit vendors make up the majority of all vendors on most states' lists, but public educational institutions offer the majority of all eligible programs. Finally, non-profit organizations and other public agencies constitute a small but still appreciable percentage of both vendor and program lists in most states. Overall, these findings suggest that states' eligible training provider lists offer a substantial number of training choices and a rich array of offerings by institutions of a variety of different types. In other words, customer choice seems well supported by these figures, at least when one looks within each state as a whole.

Internet searches were also used to gauge the adequacy of information available in Consumer Report Systems to support customers' choice, this time through searches of all 50 states' Consumer Report Systems (not just the thirteen states represented by demonstration grantees). We identified five training fields that, based on the site visits, appeared to represent frequently made training choices. We then used the Internet searches to identify in each state how many different training programs were available in each field and what sorts of performance and other data were available about the programs.

Results affirm the notion that ETP lists in most states offer customers ample choices. Thus, for most of the training fields we researched, the majority of states offer a dozen or more separately listed programs, and some states list more than 50 or even 100 training programs in each field. Thus, at least for these common training occupations, customers have an array of training programs from which to pick, at least within the state as a whole.

The array of information available about these programs on the states' Consumer Report Systems is generally spotty. Encouragingly, most states' systems provide information on the costs and program duration for almost all of the programs that we researched. Data are much sparser on performance measures, however, especially the WIA-student (as opposed to the all-student) measures. In short, some basic program information appears to be available in most states' systems relating to the cost and

duration of training, but information on performance-related measures is much less frequently available.

VENDORS' REACTION

As the above review suggests, nearly all training vendors certified as eligible for ETP purposes are either public institutions (predominantly community colleges) or proprietary schools. These two major types of institutions have very different missions and define themselves very differently. The public institutions have traditionally filled an important role in providing training under JTPA, because of the breadth of their offerings and generally low tuition, and it is expected that they will be similarly important under WIA. However, many are balking at the eligibility requirements that WIA imposes, especially the need to submit performance information about their programs. In their view, the low volume of ITA-funded trainees that they can anticipate does not warrant the time and expense that such a requirement would entail. They also fear that their performance would be unfairly characterized, given the mix of customers that many of them serve and their open-enrollment policies. In the face of these complaints, some states fear the prospect of losing a substantial number of vendors and programs once full subsequent eligibility goes into effect, but are working aggressively to ward off this possibility by addressing the public institutions' concerns as best they can.

By contrast, representatives of the proprietary schools we met characterized their institutions as being active in the marketplace and highly performance driven. For their own purposes, or to meet other state or federal certification requirements, these schools had been accustomed to collecting and reporting performance data and saw no difficulty with doing so for ETP purposes.

Community-based institutions constitute the third major group of potential vendors. Many of these organizations depended heavily on providing training to economically disadvantaged adults and dislocated workers under JTPA, but they are less likely to be successful under an ITA system because of their traditionally narrow customer base. Further, they are usually thinly capitalized and are thus likely to have difficulty coping with an irregular flow of ITA students.

Consistent with the principle of customer empowerment, all vendors will need to be responsive to the training customer in order to be successful. In recognition of this, many vendors try to actively market their services to potential trainees. As a

consequence, reverse referral are fairly common, in that customers come into the One-Stop center seeking an ITA because they were referred there directly by a training vendor. Quite prevalent under JTPA, reverse referrals seem to be common under WIA as well, despite the uncertainty vendors face that a customer referred to a One-Stop center will select another vendor from the eligible provider list.

Also as a way of appealing to customers in a competitive marketplace, vendors can structure their programs to make sure that they are responsive to customers' needs, such as by improving accessibility, adjusting the timing, location, or duration of programs, or adding auxiliary services. Proprietary schools are widely considered to be quite responsive in this regard. Although it is less common, community colleges also restructured their programs to make them more flexible to ITA holders in some cases.

CONCLUSIONS

The evaluation's two rounds of data collection span a period of tremendous growth and maturation of states' and areas' ITA and ETP systems. During the first round of site visits, in the summer and fall of 2000, ITA policies were just being formulated, as sites were still feeling their way and not quite sure to whom they could issue an ITA and when. Similarly, although ETP lists had been developed, states had barely begun to think about their subsequent eligibility policies, and fully functioning Consumer Report Systems were virtually nonexistent. A year later, by contrast, during our second round of site visits, these systems had evolved considerably. Thus, sites were much more comfortable in authorizing training for their customers, the groundwork for subsequent eligibility had been laid (at least in most states), and virtually every state had a searchable, web-based Consumer Report System with at least basic information about vendors' programs.

Based on our review of this remarkable trajectory, we can offer some final thoughts about remaining questions and potential next steps. We have divided these into issues relating to general system development and grant funding, ITA issues, and ETP and CRS issues.

General System Development and Grant Funding Issues

1. The development of ITA and ETP systems in the demonstration states represented a tremendous mobilization of effort and resources—for example, in reviewing and processing vendors' applications for eligibility, establishing procedures to measure vendor performance and track ITA expenditures, and

developing software to display Consumer Report Systems. For this reason, the extra resources represented by the demonstration grant funds were, if not indispensable, certainly very appreciated and were put to good use everywhere.

2. The grantees endeavored to design their systems such that they would be sustainable once grant funds ran out, with minimal support from WIA formula allocations. The extent to which they were successful in doing so, however, remains unclear. Thus, some investigation of the ongoing costs associated with maintaining these systems would be helpful, so that an assessment of how costs compare to expected benefits can begin.
3. For the very reason that grantees used much of their funding for critical system development, the timing of the awards made this less like a demonstration project—in the sense of testing departures from standard practice—than it otherwise would have been. Nonetheless, some grantees were developing some innovative features of their ITA/ETP systems, such as experimenting with alternative ITA payment mechanisms, online customer messaging systems, and the like. Few of these were fully functioning at the time the demonstration ended, and thus none could be properly assessed. Nonetheless, some of them seem to hold substantial promise, and their efficacy will be worth exploring further.
4. State and local-area flexibility is a key tenet of WIA, and this principle seemed to be clearly on display in the systems that we studied. Thus, although there are obvious broad similarities in the systems that are developing, states and local areas are making unique decisions regarding key features of ITA policies and ETP systems.
5. That flexibility, although clearly embraced by states and local areas as a good thing, caused some confusion and uncertainty at early stages of system development. Thus, some local areas were unsure exactly what their policies and systems should look like, and were eager to compare their experiences with those of other states and local areas. Although much of this uncertainty has since been resolved, states and local areas are likely to highly value forums for the continued exchange of information across the workforce development system.

ITA Issues

6. The demonstration grantees, just as the workforce system as a whole, realized a substantial drop-off in the number of persons undertaking training in PY 2000, WIA's first year of implementation. This occurred for a variety of reasons, including a strong economy that made job opportunities plentiful, competing priorities for using scarce WIA funds, and case managers' uncertainty regarding for whom training could and should be authorized. However, training levels rebounded sharply upward subsequently, reflective of the changing economic climate, one-time expenses in establishing a One-

Stop infrastructure that were behind them, and local areas' greater degree of comfort in authorizing training in response to customers' needs.

7. Most grantees have strongly embraced ITAs as the preferred method of delivering training services to adults and dislocated workers under WIA. Some, however, point to the strong role that customized training can still play in meeting the workforce system's diverse needs, such as in directly meeting an area's needs for economic development targeted to employers, and providing trainees with an income to support themselves through training and a nearly guaranteed job afterwards. Similarly, other grantees noted the important role that contract training plays in meeting the needs of their hard-to-serve customers, for whom an ITA might be less effective. Yet neither of these alternatives to the ITA was used very widely in the local sites we visited. It is perhaps worth considering in a broad way the proper role for customized and contract training in the WIA context, and how these alternatives can be developed while still promoting customer choice.
8. As is their prerogative, local areas have established caps on the amount of the ITAs they would issue. These vary widely from a low of about \$1,700 per customer in some local areas to as much as \$10,000 in others. In setting these caps, local areas struggle with the tradeoff between ensuring that a diverse array of high quality training choices are available to customers, while spreading their available training dollars over as many customers as possible. A quantitative analysis of how these different decisions impact the choices that customers make, and how the workforce system's return on investment is impacted, would be very informative.
9. In keeping with one of WIA's major principles, sites maintained a strong customer focus in the way they approach training and pre-training services. Thus, although sites have guidelines for how customers should move through the service levels, it was apparent that those guidelines were not meant to be followed rigidly and that customers' obvious needs were taking precedence.
10. Similarly, customer choice is clearly apparent in the way that sites are working with customers to help them select training programs and vendors. This choice is structured within a framework that requires that customers undertake a careful assessment of their skills and abilities and conduct labor market and other research. To this degree, customers are making choices only after being exposed to a range of good information. Notwithstanding this fact, although all local areas make some provision for structured decision making, in actuality the degree of assessment and counseling that customers are likely to undergo varies greatly from area to area. Further, there are wide disparities in the way in which the local areas respond to the very large percentage of customers who enroll in WIA with already established training choices. Thus, additional information on optimal approaches for dealing with customers of different types would be helpful.

11. Front-line staff are generally playing roles that support informed customer choice. In most local areas we visited, case managers were playing the role of “facilitators,” and were lending the benefit of their expertise without being overly directive. To this degree, customer empowerment was being promoted. At the same time, the exacting role that case managers are expected to play by providing assessment and counseling to a diverse mix of customers, while still respecting customer choice, places great demands on their expertise. For this reason, opportunities for capacity building among front-line staff must remain a high system priority.
12. The quality of the choices that customers are ultimately making is unknown. Nor is it known whether customers would benefit from more or less structured progressions through pre-training services and greater guidance and direction from their case managers. The ITA Experiment, being undertaken by Mathematica Policy Research, should help resolve these important questions. This experiment is using experimental methods to test three alternative procedures for advising customers about their training choices:
 - Structured Customer Choice: The counseling provided under this approach is intensive and mandatory. Case managers are expected to steer customers to training programs with the highest net benefit.
 - Guided Customer Choice: This approach is similar to the one most in evidence in the sites we visited as part of the ITA/ETP Demonstration, in that case managers guide customers without being overly directive.
 - Maximum Customer Choice: Under this regimen, customers are not required to undertake any research or counseling as aids in making training choices (though counseling is made available to them if they request it), and they are free to select any program on the state’s ETP list.

ETP and CRS Issues

13. Training providers play an obvious and critical role in the workforce development system. The demonstration states clearly recognized this, and thus most made every effort to recruit them to the eligible training provider list and ease the burden they bear in applying for eligibility. Their strategies for doing so included automating the vendor application process and conducting data capture on their behalf for performance information associated with the Consumer Report System. Such efforts remain critical if a rich array of training choices is to remain available to ITA holders. These efforts are especially important to ensure the continued engagement of community colleges, which are at once important providers of low-cost high-quality training for WIA customers, yet who often view the ETP requirements as very burdensome.

14. Also as a way of easing the burden for training vendors, efforts should be explored to align as much as possible the ETP eligibility requirements to those of other licensing bodies to which training vendors are subject. These efforts might include adopting similar definitions of common terms and building on existing reporting and performance requirements where possible.
15. At this point, little is known about how states should best establish performance levels for vendors in the eligible provider system that promote high quality without undermining customer choice unduly by curtailing the size of the ETP list. The demonstration states have largely been making their decisions in an information vacuum, but they clearly display a broad range of approaches to this issue. Understanding how very different performance thresholds affect the size and composition of the eligible provider lists and how vendors react to the different requirements constitute high priorities for research once subsequent eligibility takes hold.
16. The underdeveloped state of most Consumer Report Systems has meant that concrete and comparable information on vendor performance has not been one of the sources that most customers have been using in making their training decisions. When these systems are mature, additional information on how customers use them and how they can be configured to best meet customers' needs would be desirable.
17. Along these same lines, to ensure that performance data for different vendors can be interpreted meaningfully, ways must be explored for systematically considering the characteristics of customers that vendors serve and of their local labor markets, both at the stage of reviewing vendors for eligibility to the ETP list and helping customers interpret performance data in making their training choices. Although WIA clearly allows for this, we found little evidence that such efforts are thus far occurring in a systematic way.
18. Similarly, states vary in the way they define key terms related to performance measurement (e.g., participant, completer) and in the clarity and completeness of the guidance they give their vendors about them. This variability can strongly impair the comparability of performance data once it becomes available in Consumer Report Systems, even within individual states. DOL and the states must confront the dilemma of needing to impose greater uniformity to promote comparability, without being unduly prescriptive. Without such comparability, it remains to be seen how useful the performance data in the Consumer Report Systems will be or how they can best be used to help guide customers' choices.
19. The ITA/ETP process is presenting substantial challenges to training vendors that relied heavily on workforce development funding under JTPA. Reliant for so long on contract training for serving special populations, these organizations are finding that their customer flow has been gravely interrupted since the enactment of WIA. This challenge has fallen especially

heavily on community-based organizations. Without an alternative customer base, many of these institutions are facing insolvency. To the extent they provide an array of valued social services, their absence can represent a substantial loss to the high-poverty communities they serve and could reduce the number of appropriate training options for customers with special needs.

Notwithstanding these remaining research issues and concerns, the ITA/ETP Demonstration project has been very valuable in shedding light on key issues related to ITA and ETP implementation. Moreover, whatever problems they have encountered or challenges that remain, the demonstration grantees have all made important contributions to our knowledge of these systems. They have demonstrated as well the extraordinarily mobilization of effort that has been entailed in developing their systems. Indeed, their progress in building their systems in the period encompassed by our site visits has been truly remarkable.