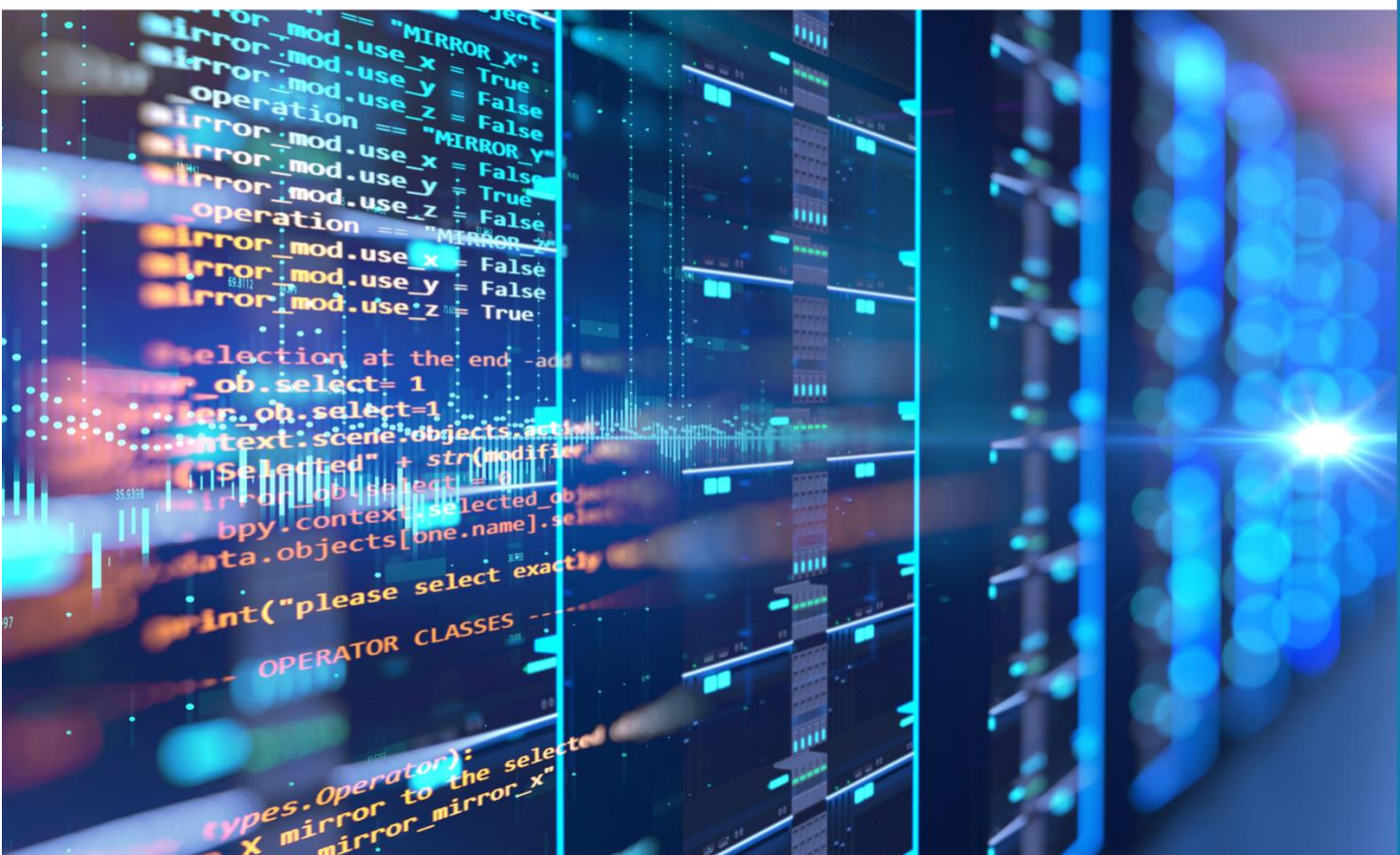


Considerations Regarding Future Research on Use of Fees in Employment and Training Administration (ETA) Programs Discussion Paper

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Table of Contents

1	Introduction	1
2	Overview of fees in federal programs.....	2
3	Possible factors related to research on the use of fees.....	5
3.1	Participation factors	6
3.2	Program operation factors	6
3.3	External factors.....	7
4	Ideas for research on the use of fees for employers in ETA programs	7
4.1	Possible research questions	8
4.2	Types of research and possible research methods	9
5	Conclusion.....	10
6	Sources	11
	Appendix A: Literature review methodology and results	13

List of Tables

Table 1: Three phases of the literature review process	13
Table 2: Literature summary and project relevance	15

1 Introduction

This discussion paper explores issues related to research on application or user fees in programs administered by U.S. Department of Labor’s (DOL’s) Employment and Training Administration (ETA), based on a review of regulations, guidance, and selected research concerning such fees. The paper reviews available literature from those sources; briefly covers the purposes, general principles and practices related to application or user fees; summarizes possible factors related to research on such fees; and suggests some possible research activities on use of fees in an ETA program.

The federal government charges user fees for applications and services across a wide range of programs.¹ The goals for imposing such fees can include traditional revenue generation, restraining or stimulating demand through improved perceptions of program quality. The effect of fees on programs is dependent upon the service provided and alignment with the program purpose [[U.S. Government Accountability Office (GAO) 2013]]. Fees can provide program funds outside of centralized decision-making processes, and thus may allow for more flexible decision-making by program leadership, as discussed in greater detail below. However, revenue from fees may fluctuate for a variety of reasons, which could negatively affect the financing of programs dependent on them, while also creating burdens on agencies by introducing additional oversight and reporting requirements (Austin, 2019, Summary Page). Charging fees may also have other negative effects, such as preventing individuals from receiving needed services or favoring one group over another on the basis of financial or institutional capability (Austin, 2019, Summary Page).

While application and other fees can have positive or negative effects, they are seldom used in programs overseen by ETA. With the exception of two Foreign Labor Certification (FLC) programs,² ETA’s other programs (administered mostly at the state and local level) generally lack legal authority to charge application or user fees. For example, Title I of the Workforce Innovation and Opportunity Act (WIOA), Public Law (P.L.) 113-128, which authorizes the Adult, Dislocated Worker, Youth, and other programs, states that “No person or organization may charge an individual a fee for the placement or referral of the individual in or to a workforce investment activity under this title.” However, WIOA does allow local workforce areas to offer customized services to employers on a fee-for-service basis, as will be discussed in greater detail below.

ETA administers a wide variety of programs which target diverse segments of the population. There are programs that are intended to provide employment and training services to the unemployed and underemployed including programs that target specific populations (such as youths, farmworkers, justice-involved individuals, and

DOL ETA programs

DOL’s Employment and Training Administration (ETA) is responsible for the federal role in administering the unemployment insurance system and a variety of programs that provide (through state and local agencies) training and employment services for youth, adults, and dislocated workers. Other target populations for ETA programs include migrant and seasonal farmworkers, Indians and Native Americans, veterans, and older workers, among other groups. Information on ETA programs can be found at: <https://www.dol.gov/agencies/eta/program-areas>

¹ User fees are defined as fees “assessed to users for goods or services provided”; application fees are user fees charged for submitting an application (Austin, 2019, p. 2).

² The two programs are the H-1B program for which employers are charged application fees and the H-2A program, for which fees are assessed when a decision is made on an application.

Native Americans). ETA also administers programs that provide temporary cash benefits to workers who become unemployed through no fault of their own, such as the Unemployment Insurance (UI) and the Trade Adjustment Assistance (TAA) programs. ETA programs provide employment services such as job search assistance as well as training to job seekers, in line with ETA's mission to "contribute to the more efficient functioning of the U.S. labor market by providing high-quality job training, employment, labor market information, and income maintenance services primarily through state and local workforce development systems" ("Mission," accessed March 20, 2022, mission section).

It should be noted that this short paper focuses on ETA programs where fees are permitted, but have not been extensively used, and for that reason, does not address application or other fees charged in the FLC programs (since such fees have long been in use). The paper discusses several possible, but entirely hypothetical, research activities.

The remainder of the report is organized as follows:

- **Section 2: Overview of fees in federal programs.** This section discusses the definition of user fees, types of fees collected in federal programs, principles for setting fees, how fee collection and levels are reviewed, and examples of how fee-generated revenue is used in federal programs.
- **Section 3: Possible factors related to research on use of fees.** This section discusses the factors that can influence the effect of fees on various aspects of a program. Factors are categorized into those related to participation, program operations, and the larger environment.
- **Section 4: Ideas for research on the use of fees for employers in ETA programs.** This section first identifies possible research questions regarding the possible introduction of fees under WIOA Title I Adult and Dislocated Worker programs. The second half of this section outlines options for possible future research to address the questions.
- **Section 5: Conclusion.** This section recaps what was covered in the paper and the potential use of the principles and possible factors in future research.

2 Overview of fees in federal programs

Throughout the federal government, agencies charge fees for a variety of purposes, such as entry fees to national parks; filing and inspection fees; postage stamps; Medicare premiums; and application fees for passports, various kinds of visas, and foreign labor certifications (FLCs). The authority to charge fees is derived from either the Independent Offices Appropriation Act of 1952 (IOAA) or a specific statutory authority (GAO, 2008, 2013). This study uses the GAO definition of user fee: "fee assessed to users for goods or services provided by the Federal Government" (GAO, 2005, p. 100). Revenue from user fees utilized by the federal government accounted for \$414.6 billion in 2021 (OMB, 2022, p. 143). As opposed to taxes, according to the Congressional Research Service, fees are based on voluntary choices, and they often indicate "business-like activities" when the government provides a service or benefit in return (such as the functions of the FLC programs) (Austin, 2019, Summary Page).³

Based on a literature review of documents from the Government Accountability Office (GAO) and the Congressional Research Service, we have identified principles related to the administration of fees in the

³ "User fees and charges have several advantages as a means of financing public activities. They are voluntary, they connect the burden of financing activities to those who directly benefit from them [...]." (Austin 2019, Summary page)

federal government, that would likely be relevant to possible research on the use of fees in ETA programs. These principles are discussed below.

Determining fee amounts. When determining fee amounts, our research found that agencies may consider the principles and practices (discussed below) regarding who benefits, ability to pay, and how costs are covered. These considerations might be important in designing possible research on fees for certain services provided to employers in ETA programs.

Benefit principle. When determining fee amounts, agencies often follow the “benefit principle” under which the fiscal burden of publicly provided benefits is borne by those who enjoy the benefits, to promote fairness and efficiency (Austin, 2019, Summary Page; GAO, 2015, p.11; GAO, 2008, p.2). For example, passport fees place the cost of reviewing and issuing passports on those who wish to obtain them. While this principle theoretically allows fees to keep up with changes in underlying expenses (e.g., if there is an increase in demand for passports), it is more difficult to match fees to agency costs when demand or marginal costs are irregular or unpredictable (Austin, 2019, Summary Page).

Cost coverage practices. Some agencies set fee amounts to cover direct and indirect costs of the program (GAO, 2013, p.25). When setting fees to cover such costs, agencies consider whether to use average or marginal costs, and whether the costs vary across users (e.g., by employer size) (GAO, 2008, p.12). Some fees include exemptions, waivers, and caps to promote policy goals or protect vulnerable beneficiaries. For example, agencies sometimes give special consideration to small businesses when setting fees (GAO, 2015, Summary Page).

Ability to pay principle of equity. Under this principle, the fee amount is dependent upon the users’ ability to pay. As noted by the GAO:

[...] determining inability to pay [...] considers the totality of all factors, circumstances, and evidence the applicant supplies including age, disability, household income, and qualification within the past 180 days for a federal means tested benefit, as well as other factors associated with each specific case (GAO, 2009, p. 12).

In other words, there are many factors that influence the federal government’s determination of a person’s inability to pay for a service. This is also valuable in a discussion of user fees, as a service will not effectively reach its target population if that population is unable to pay the fee.

Reviewing fee levels and collection systems. When determining whether and how to implement a fee, administrators consider the effect of the fee amount. For example, programs consider how much revenue to implement the program is required to ensure the fee amount is not too low to fund a program or so high that it results in surplus revenue (although this is not applicable to ETA programs which are fully federally funded). Programs should also be aware that fee amounts may need adjusting in the future, due to factors such as inflation and increased program costs (GAO, 2008, p. 8; Dunham, Salzman, and Koller, 2004, p.III-15).

Federal regulations require biennial periodic review of fees to determine whether any changes are warranted (GAO, 2008, p. 9). For some fees, frequency of review is determined by the fee’s statute or by the IOAA (GAO, 2008, p. 10). If not mandated by either of these sources, Office of Management and

Budget (OMB) *Circular A-25*⁴ mandates that agencies review user fees every other year (Austin, 2019; GAO, 2008). However, GAO reports that agencies do not always conduct regular reviews and therefore, fees can become misaligned with program costs (GAO, 2008, Summary Page).

The agencies that do review fees regularly use varying review methods and processes (GAO, 2015, Summary Page). The scope of the review can depend on the legal authorization and can range from a comprehensive review to ensure fee and cost alignment, to a simple budget review to ensure that expected fee revenue aligns with the appropriated amount (GAO, 2008, Summary Page). If updates to fees are needed, agencies can make these updates through legislation or through a regulatory process.

Our research shows that the requirements and regulations that accompany the introduction of application or user fees in a program also increase the administrative burden, as the collection of fees necessitates additional monitoring and review by agencies themselves and those with oversight responsibilities over them. We can therefore suggest that any agency planning to introduce fees also has to plan for the resources needed not only for fee administration but for oversight and process reviews as well.

Use of fee revenue. Federal agencies may need congressional approval to spend proceeds from application or user fees, depending on whether the fees are classified as “offsetting collections” or “offsetting receipts”.⁵ Fees classified as “offsetting receipts” are deposited into revenue accounts and typically require congressional approval to spend (Austin, 2019, Summary Page; GAO, 2013, p.8). By contrast, fees classified as “offsetting collections” are deposited into expenditure accounts and can be used to offset agency spending without congressional approval (Austin, 2019, Summary Page) Congress can either limit the period of availability or provide unlimited access, which allows agencies to align fees to costs in the long term and carry over reserve funds from year to year (GAO, 2013, p.8).

Use of fees in ETA programs. While most ETA programs do not have the legal authority to charge fees to participants, they can be charged to employers under FLC programs and under WIOA Title I for certain customized services delivered at the local level, such as screening and referral of qualified participants in training services, customized recruitment events, and human resource consultation services.⁶

A study of the Adult and Dislocated Worker programs under prior law (the Workforce Investment Act or WIA) found that 10 of the 28 local workforce areas in the evaluation charged nominal fees for some employer services (Dunham, 2015, p.10), as the law [WIA Section 195 (13)] allowed local programs to charge employers fees for services, facilities, or equipment for employment and training activities so long as that would not cause adverse effects on the provision of services for eligible participants. As

⁴ OMB Circular No. A-25, Transmittal Memorandum #1, User Charges (07/08/1993), Purpose: “The Circular establishes Federal policy regarding fees assessed for Government services and for sale or use of Government goods or resources. It provides information on the scope and types of activities subject to user charges and on the basis upon which user charges are to be set. Finally, it provides guidance for agency implementation of charges and the disposition of collections.”

⁵ “The Government records money collected in one of two ways. It is either recorded as a governmental receipt and included in the amount reported on the receipts side of the budget or it is recorded as an offsetting collection or offsetting receipt, which reduces (or ‘offsets’) the amount reported on the outlay side of the budget.” (OMB 2021, ch. 12., page 145)

⁶ As per WIOA regulations at 20 CFR 678.435(b) and (c).

noted in this study, three local workforce agencies charged employers for use of American Job Center (AJC) space for interviews or meetings, two local agencies charged fees for booth rentals and job fairs, and two charged fees for participation in business-related workshops and seminars. One local program charged fees for “developing detailed profiles of employer jobs to enable more accurate matching of qualified applicants for those positions” and another charged fees for the development of “customized packages of recruitment services” (Dunham, 2015, p. 10). Some staff in these local areas felt that the fees both raised needed revenue and improved businesses’ perceptions of the programs’ quality of service (Dunham, 2015, p. 10).

WIOA continued and increased the emphasis on serving both businesses and jobseekers through new provisions related to serving employers, such as specifying that services to them was an allowable activity, and adding a performance indicator for employer services, as noted in an implementation study of the WIOA Adult and Dislocated Worker programs (Dunham et al., 2020). The study found that the changes under WIOA were associated with enhanced employer-related activities in partnerships with Vocational Rehabilitation and in providing employers with incumbent worker training (Dunham et al., 2020). Eight State and 15 local area staff identified the lack of available funding as a factor in limiting the amount of incumbent worker training provided, since these local areas felt that they had to prioritize services to jobseekers in many cases (Dunham et al., 2020, p. xi).

3 Possible factors related to research on the use of fees

This section describes a series of possible factors related to how fees might affect various aspects of programs, as identified through the targeted literature review on the factors affecting the use of fees in the federal government. (The methodology for identifying these factors through the literature review and the summary of findings can be found in Appendix A.)

The factors are classified in this paper as falling into three categories:

1. **Participation factors** related to how fees may affect use of program services or engagement in related activities,
2. **Program operation factors** related to the administration of fees and alignment of fees with program goals, and
3. **External factors** which are outside the jurisdiction of program administrators and participants, but which can influence how fees may affect program operations or outcomes.

While not a factor in itself, equity is an important underlying consideration cutting across many of the factors discussed below. Equitable access to or participation in services could be affected by fees, for those who are unable or find it difficult to pay, both in terms of the fee amount or the means to comply with fee collection methods) (Hsieh and Kocielnik, 2016). Overall, these differences could affect who accesses services, since, as Hsieh and Kocielnik noted, “people are drawn to different incentives and their preferences can lead to systematic differences in participant composition and participation results” (2016, p. 2).

3.1 Participation factors

This section discusses the participation factors, which relate to how fees may affect participants' use of program services or engagement in related activities.

Fee levels. The fee amount is a factor which can affect program participation, as noted in several studies, since participant groups may be unable or unwilling to pay a high fee (Hsieh and Kocielnik, 2016; Li and Soman, 2010; GAO, 2008; Dunham, Salzman, and Koller, 2004). As shown in the literature, program administrators consider this factor when determining the fee level to set, often with the awareness that fee amounts may need adjustments in the future (Hsieh and Kocielnik, 2016; Li and Soman, 2010; GAO, 2008; Dunham, Salzman, and Koller, 2004).

Perceptions about the quality and value of service. As suggested in several sources (which can be found in table 2) including Li and Soman; Dunham; Austin; and Dunham, Salzman, and Koller, perceptions about the quality and value of the program's service can affect participation rates either positively or negatively, depending on whether participants feel the fee is worth the quality of the service. Participants may also expect greater quality and value from service offerings if a fee is imposed (Austin, 2019; Dunham, 2015; Li and Soman, 2010.; Dunham, Salzman, and Koller, 2004).

Clarity of fee administration. Lack of consistency in how fees are applied, for various services, at various rates, or under different circumstances, may lead to confusion or misunderstanding around the fee's purpose (GAO, 2008, p. 5-6). This lack of clarity may in turn affect program participants, reducing their understanding of the link between the fee and the service provided, and potentially reducing their willingness to participate.

3.2 Program operation factors

This section discusses factors which relate to the administration of fees and alignment of fees with programs' goals.

Administrative costs and burden. There are administrative and operational costs and burdens associated with developing and collecting fees and in meeting regulatory requirements (particularly around recordkeeping to allow for periodic review of fees charged and collected). These costs can be substantial and have, in some instances, been higher than the revenue from the fees themselves (GAO, 2008, p.10). If this is the case, increased operational costs due to the burden of administering fees could mean less funding available for program services, potentially making the program less efficient or decreasing the quality of services (GAO, 2019, 2009, 2008; Popkin, 2018; Dunham, Salzman, and Koller, 2004).

Fee collection methods. The collection method can also affect program performance administratively as well as participant engagement and retention. The GAO Federal User Fees Report speaks to how some approaches may lead to increased administration costs and delays in availability of funds resulting from fees. Topics to consider regarding fee collection methods include whether collection will be automated or manual, occur at regular intervals (e.g., quarterly remittance) or timed with the transaction (e.g., collecting a fee at the park entrance), and what methods of payment are permitted. Collection methods can also have unintended consequences, such as restricting access of certain target groups to the services (creating a negative effect on equity). For example, if fee payment required use of a credit or debit card, individuals without them might not have access to a program and its services. Additionally, collection methods and administrative burden are closely connected: "certain collection methods

increase administrative costs and reduce compliance. For example, quarterly remittance delays availability of funds and failure to charge interest and penalties on certain late payments is costly and discourages compliance” (GAO, 2008, Summary).

Regulatory requirements. The regulatory requirements and guidance relevant for programs include what fees can be charged, amount or use, and requirements for reporting and oversight (Austin, 2019, Summary Page; GAO, 2011).

3.3 External factors

This section discusses external factors, which are outside the jurisdiction of program administrators and participants, but which can influence how fees may affect program operations or outcomes.

Economic sensitivity. Employers’ use of local ETA programs may fluctuate with changes in the economy. For instance, when the local economy is booming, employers may have difficulty hiring staff. In this scenario, their engagement in ETA programs might increase, along with their willingness to pay a fee for certain services (Dunham et al., 2020, p. 10). The inverse economic case of a recession would likely decrease employer willingness to pay a fee of some kind, though lowering fees, if they had been used previously, might retain employer involvement (Austin, 2019, Summary Page; GAO, 2013).

Support from affected parties. Fee implementation might also be affected by the opinions of interested parties, such as companies or advocates in a particular sector, who might be for or against various fees for particular activities. Support might (or might not) be garnered through clear communication with various groups, as well as in developing approaches that might address the concerns or perspectives expressed by those groups, as suggested in some past research (Chung et al., 2011; GAO, 2008; Dunham, Salzman, and Koller, 2004).

4 Ideas for research on the use of fees for employers in ETA programs

This section offers examples of possible research questions and methods, using the factors cited above, regarding the use of fees in an ETA program. Given the limitations on charging fees in many ETA programs, this section explores the use of fees for certain services for employers in local one-stop systems and AJCs under WIOA.

The local one-stop system authorized under WIOA Title I receives funds from multiple programs, including the WIOA Title I Adult, Dislocated Worker, and Youth programs and the Employment Service (under Title III of WIOA) as well as from other partner programs. WIOA Title I identifies the type of services that can be provided to job seekers and employers and establishes the governance and performance accountability system for the public workforce system (Bradley and Collins 2022). As noted earlier, WIOA Title I programs cannot charge fees to job seekers but, at the local level, can charge fees to employers, for at least some customized services, as discussed below.

The Adult Program under WIOA Title I assists low-income adult job seekers while the Dislocated Worker Program focuses on individuals who have lost their jobs due to layoffs or plant closings. Funds from both the Adult and Dislocated Workers programs can be used for services provided to individuals, such as job search information and classes, individualized services related to career and training decisions, supportive services, and funding for various forms of occupational or job training (TEGL 19-16).

Employers can also engage with the local AJCs to post job opportunities, receive referrals of potential job candidates, identify opportunities for obtaining training for incumbent workers, and other possible services as noted in the regulations and guidance (TEGL 19-16). However, as per the regulation at 20 CFR § 678.440, no fee may be charged for labor exchange activities and labor market information (which covers employer job postings and employer use of data on job seekers). But local one-stops can offer certain services on a fee-for-service basis to employers [identified in the regulation at § 678.435(b) and (c)], such as customized business services including screening and referral of qualified participants in training services, customized recruitment events, and human resource consultation services.

4.1 Possible research questions

As noted above, WIOA regulations clarify that employers can be offered a number of customized services at the local level on a fee-for-service basis for Title I core program services. Research on the use of fees regarding those services could aim to answer the questions discussed below, which are related to most of the factors identified above.

- (1) Is the introduction of fees associated with perceptions of increased service quality by employers? Does this perception differ by region, industry, the strength of unions, or the size of the employer?

Employers' perceptions of the quality and value of various services appeared to be related to fees being charged, as noted in some of the research cited in this paper. The research did not, however, clarify if the nature or quality of the services had changed, or if the fact that fees were charged altered the employers' perceptions. Understanding more about employers' perceptions of service quality or value, their willingness to pay for certain services, and what additional factors influence this perception, are all possible topics that could be explored in further research.

- (2) Does introducing fees increase or decrease employer participation? What is the optimal fee amount to maximize employer participation? Are employers' reactions to fees impacted by labor market circumstances? Would the economic environment, such as worker shortage, be related to employers' willingness to pay higher fees?

Employer willingness to utilize various services may also be closely connected to the fee amount. Future research could explore what levels employers would be willing, or able, to pay, for different services and how labor market conditions might affect their responses. The research might also explore how different types of employers might react to various fee levels, to maximize employer engagement and participation.

- (3) Do fee collection methods and administrative burden affect employers' willingness to pay and participate?

Fee collection methods or administrative burden might affect employer engagement in various services, particularly if such methods required them to use methods that were inconvenient or expensive. Future research could explore how to minimize such burdens, by understanding customary methods used by employers for making payments and how to minimize any other administrative burdens.

While these factors are key considerations in developing research on the use of fees with employers, this is not an exhaustive list. For example, based on our literature review, other considerations include competing service offerings from the private sector, and differential effects due to cost.

4.2 Types of research and possible research methods

Possible future research could use a mix of research methods to explore the questions posed above regarding the effect of fees on employers' use of various workforce services at the local level in AJCs. The possibilities include a descriptive study on the current use of fees in the public workforce system, pilot testing further use of fees by AJCs, and a feasibility study on whether further testing of fees is possible -- or desirable -- using more rigorous research designs. These different methods are discussed below.

Descriptive study on the landscape of fee usage: A descriptive study across AJCs (as well as of comparable commercial services to which employers have access) would provide information on the nature of fee usage and allow for a thorough description and classification of such fees and the services for which fees are charged, including for customized services for employers for screening and referral of qualified participants, recruitment events (i.e., targeted job fairs), assistance in the development of a registered apprenticeship program, or consultation services⁷ across both the public workforce system and private sector HR firms. The scan could explore employers' views in regard to various fees, and perceptions concerning the quality of services available in AJCs and alternative sources.

The study could explore the perspectives of local AJC managers and workforce development boards regarding charging fees and the decision process regarding the level and types of employer outreach or customized services, in terms of potential benefits and costs. This could also uncover differences between strategies, such as in types of services, fee amounts, including if there are different pricing strategies and the rationales for them (e.g., some AJCs may be applying the benefit principle by charging those who benefit from the services directly, others may just apply a flat fee to all employers for generic cost coverage). These analyses would need to rely on data collected from local AJC managers and workforce development boards through in-depth interviews, focus groups, or surveys. The surveys could be conducted with stratified random sample of boards or AJCs nationally, and if possible, attempt to capture the diverse economic and legislative environment of AJC operations as well as the various fee structures.

Pilot or demonstration study: The prime research questions could also be explored in pilot or demonstration projects that would allow AJCs to test use of fees in different circumstances, for different types of services. These projects would help to determine the challenges in implementing the fees and what types of fee-for-service activities would be likely to garner employer interest. The projects would require collecting information from AJCs, on the types of activities for which fees were used, whether the introduction of fees enhanced employer utilization of a particular service or series of services, if the services provided on a fee basis led to other activities or relationships with the employers, and if the fee-based services were associated with employment outcomes for participants in some fashion. Information would also have to be collected from employers as to whether the fees affected their use and perceptions of AJC services. A variety of methods could be used to collect information from AJCs and employers, including via site visit interviews or focus groups, and surveys. Administrative data could also be collected by the AJCs on employer engagement, to quantify the number of employers engaging in or requesting services.

While a pilot or demonstration study would be used to identify critical aspects of implementation of fees and new services, it could also attempt to capture the differences in employer engagement and

⁷ 20 CFR 678.435 <https://www.ecfr.gov/current/title-20/chapter-V/part-678/subpart-B/section-678.435>

perceptions at the same AJCs before and after fee introduction, and to compare experiences between similar AJCs that use different fee levels or charge fees for different services. As such, the pilot or demonstration projects might also uncover challenges in data collection as well as provide insights to determine if it is feasible to rigorously test the use of fees with employers.

Feasibility study: Based on findings from the descriptive study and the pilot projects, a feasibility study could be developed on use of more rigorous methods (such as a randomized control trial [RCT] or a quasi-experimental design) to test use of fees. Such a study would explore, for example, if the number of AJCs that are using – or would be willing to use – similar approaches for fees regarding services to employers would provide the necessary statistical power for the study, the types of data that would be needed, and if it would be possible to construct a counterfactual of some kind via an RCT or a quasi-experimental design (such as a difference-in-differences analysis or use of propensity score matching).

Options to test might include different approaches chosen by AJCs, related to services offered, fee levels, or methods of collecting fees. Comparisons could possibly reveal the effect of introducing, increasing, or lowering fees for different types of services. The feasibility study could also identify other possible outcome variables in addition to those for employer engagement, and perceived quality of service for employers, as well as hiring outcomes both for employers and jobseekers, and could explore covariates related to industries or the local economy.

5 Conclusion

This paper explored requirements and principles in federal law and regulation regarding application and user fees, and in turn, discussed the possible factors that can be used to guide research on the introduction and use of such fees. The paper also identified a series of questions that addressed the factors, as well as possible research activities to find answers to the questions, using as an example the introduction or expanded use of fees for customized services for employers at the local level, such as AJCs, under WIOA Title I. The possible research activities discussed included a descriptive study on current use of such fees, pilot or demonstration projects, and a feasibility study exploring use of more rigorous research methods, such as an RCT or quasi-experimental designs, and covering the potential challenges and barriers to developing and implementing such research.

The possible factors and options identified here are intended to show how application or user fees might be studied more generally, leading potentially to understanding how use of fees might be optimized in order to have positive effects on a variety of measures for ETA programs. Even if the research described in this paper is not undertaken in regard to WIOA Title I, the factors and questions identified here might be of interest in regard to use of fees in other programs, and how fees might be tested in other contexts.



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Appendix A: Literature review methodology and results

The literature review involved a multi-tiered process of identifying literature that would be relevant to the use of application and user fees within the federal government more generally (concerning legal and regulatory requirements and guidance) as well as research that addressed behavioral theory relating to how fees might affect public programs.

We restricted our literature search to only include grey literature to increase the credibility of the identified factors. Grey literature is material produced outside traditional academic publishing channels, such as working papers, government documents, white papers, and evaluations. Two main themes were utilized to create the scope of the literature review:

- The U.S. government programs that use or have used fees
- Behavioral theory on incentives

Inclusion in the final literature review table required the factor to appear in two or more of the sources. The factors do not exclusively apply to any single, specific group of potential payees. Instead, they are broad (if not universal) considerations that can be used to inform explorations of how fee introduction would impact programs, such as whether fees would improve program outcomes and whether fees should be charged to program participants or other interested parties (such as employers).

After finalizing the table of factors, we moved forward with a targeted review of program DOL currently administers. The objective of the review was to produce a program matrix that synthesized the applicability of fees to individual programs. This applicability was decided through analysis of the laws and regulations that apply to said program as well as if there was a logical basis for applying fees.

As shown in Table 1, our literature review process had a three-phase structure. Activities were designed to facilitate a successful execution of each subsequent phase.

Table 1: Three phases of the literature review process

Phase 1	An initial search utilizing Google Scholar to identify all potentially relevant and informative materials.
Phase 2	Development of inclusion criteria and source selection.
Phase 3	Review of materials, thematic synthesis of findings, and summarization and synthesis of key insights such as the factors described in section 3.

During analysis, themes were identified across sources by the number of references to the theme, the number of sources, and the type of source.

Inclusion Criteria. The materials gathered during the initial search were screened for relevancy. Materials that met the inclusion criteria were then reviewed in-depth. Our inclusion criteria are listed below.⁸

⁸ The examples are not indicative of what the final set of criteria will entail; additional criteria may be added, and the details of existing criteria may be modified.

Preliminary inclusion criteria restricted review to only those sources with information related to one or more of the following:

- The critical features, purpose, and/or objective of programs whose operations include the routine use of fees
- Discussion on the incentive structures and ability to influence behavior of the target population (theory and case study)
- The short-run and long-run effects of application/user fees on user behavior and program outcomes, including exploration into:
 - (1) different participant types (i.e., job seekers and employers).
 - (2) whether fees serve as motivation to participate or create barriers to entry; and
 - (3) whether returning fees already paid following successful program completion creates behavioral incentives.

As needed, we sought out additional sources to redirect, build upon, and expand findings if gaps are identified in current findings and more information is likely to exist. We identified and gathered relevant sources through both our own internal searches, and those provided to us by the project's Subject Matter Expert at Mathematica.

Review, synthesis, and summary of findings. After compiling relevant findings across sources, we synthesized the information to identify commonalities that may exist across sources and eliminate information not relevant to the project objectives. This approach supported efforts to group similarities across sources and facilitated a simplified process of distilling and thematically grouping the large outcomes. As a result, the process helped extract key insights and increase confidence in factors that were identified. The major output from this effort was the list of possible factors identified which can influence how fees affect program success.

Table 2 presents a summary of the literature findings, including the possible factors identified within each source, and the relevance of each source to this paper.

Table 2: Literature summary and project relevance

Source	Summary and Project Relevance
<p>Austin, Andrew D. January 22, 2019. <i>Economics of Federal User Fees</i>. U.S. Library of Congress. Congressional Research Service. R45463. Web link</p>	<p>This report discussed the advantages of user fees to fund public activities. These advantages included linking the burden of such activities to those benefitting from them. However, disadvantages included concerns that such arrangements could bypass typical congressional approvals and collection of fees could be more sensitive to the economic environment than other funding options.</p>
	<p style="text-align: center;">Factors Identified</p>
	<ul style="list-style-type: none"> • Regulatory requirements • Economic sensitivity
	<p style="text-align: center;">Relevance for Fee Feasibility</p> <p>This report detailed the benefits and drawbacks related to the use of program fees. For example, the benefits could include decentralized funding and flexible decision-making by program leadership, but fees could also introduce additional oversight and reporting requirements, as well as have implications for long-term sustainability given their sensitivity to economic fluctuations.</p>
<p>Chung, Jin Young, Gerard T. Kyle, James F. Petrick, and James D. Absher. October 2011. "Fairness of prices, user fee policy and willingness to pay among visitors to a national forest." <i>Tourism Management</i> 32 (5): 1038–1046. Web link</p>	<p>This study examined the use of user fees in Nature-Based Tourism (NBT). It focused on price fairness, fee spending support, and willingness to pay (WTP).</p>
	<p style="text-align: center;">Factors Identified</p>
	<ul style="list-style-type: none"> • Support from affected parties
	<p style="text-align: center;">Relevance for Fee Feasibility</p> <p>This study presented factors at both the individual and group levels which influence willingness to pay. It discussed how WTP can fluctuate over time and is subject to economic conditions.</p>
<p>Dunham, Kate, Anne Paprocki, Caitlin Grey, Samina Sattar, and Grace Roemer. November 2020. <i>Change and Continuity in the Adult and Dislocated Worker Programs Under WIOA</i>. Social Policy Research Associates and Mathematica. Web link</p>	<p>This report, one in a series of five on WIOA implementation, focused on the Adult and Dislocated Worker programs. It discussed the views of local administrators regarding the difficulty in employer outreach and the relatively limited results from such efforts in the sites studied.</p>
	<p style="text-align: center;">Factors Identified</p>
	<ul style="list-style-type: none"> • Perceptions about the quality and value of service • Fee levels • Support from affected parties
	<p style="text-align: center;">Relevance for Fee Feasibility</p> <p>This report discussed factors related to support from affected parties such as employers participating in employer programs. It informed discussions of the tradeoffs to consider when setting fee amounts.</p>

Source	Summary and Project Relevance
<p>Dunham, Kate, Jeff Salzman, and Vinz Koller. June 30, 2004. <i>Business as Partner and Customer under WIA: A Study of Innovative Practices</i>. Social Policy Research Associates. Web link</p>	<p>This report explored challenges with implementation of the Workforce Investment Act (WIA), including the shift from the Job Training Partnership Act to WIA, service delivery and design, and partnership building. By visiting nine Local Areas which have adopted “innovative approaches to business services and business involvement,” the authors examined Workforce Investment Boards (WIBs), partnerships, and services provided to businesses.</p>
	<p style="text-align: center;">Factors Identified</p>
	<ul style="list-style-type: none"> • Perceptions about the quality and value of service • Fee levels • Administrative costs and burden • Support from affected parties
	<p style="text-align: center;">Relevance for Fee Feasibility</p>
<p>This report identified several factors relevant for fee implementation. Fee structure could affect employer and employee program participation and the findings emphasized the importance of a clear understanding of anticipated changes following implementation to allay the potential for decreased participation. For example, employer perceptions of the quality of service and expectations for increased quality if fees are implemented could affect participation.</p>	
<p>Hsieh, Gary and Rafal Kocielnik. 2016. <i>You Get Who You Pay for: The Impact of Incentives on Participation Bias</i>. Human Centered Design and Engineering, University of Washington. Web link</p>	<p>This paper used two studies to discuss how incentives impacted participation bias.</p>
	<p style="text-align: center;">Factors Identified</p>
	<ul style="list-style-type: none"> • Fee levels
	<p style="text-align: center;">Relevance for Fee Feasibility</p>
<p>The findings emphasized the importance of understanding the payee preferences and how the introduction of fees would either increase or decrease program participation. Introducing incentives to boost outcomes could be effective in allaying concerns over decreased participation; however, the effectiveness of the incentives in driving participation depended on whether the incentive offered to participants created segmentation.</p>	
<p>Li, Xiuping and Dilip Soman. 2010. <i>The Effect of Intermediate Rewards on The Effectiveness of Incentive Programs</i>. Academic Research Fund and the National University of Singapore. Web link</p>	<p>This paper investigated how customers responded to incentive programs such as loyalty programs. Across two studies, the paper showed that customers were motivated to a greater extent by a reward program with “intermediate rewards” even without actual economic value, when compared to no reward program.</p>
	<p style="text-align: center;">Factors Identified</p>
	<ul style="list-style-type: none"> • Fee levels • Perceptions about the quality and value of service
	<p style="text-align: center;">Relevance for Fee Feasibility</p>
<p>This study shed light on how consumers responded to various fee structures, which could provide context on how program participants might respond if fees were incorporated into an ETA program. Different reward structures produced different outcomes; therefore, choosing the best fit for the program may increase effectiveness and improve program outcomes.</p>	

Source	Summary and Project Relevance
<p>Popkin, Gabriel. April 26, 2018. "US government considers charging for popular Earth-observing data." April 24, 2018. <i>Nature</i> 556 (7702):417–418. DOI:10.1038/d41586-018-04874-y. Web link</p>	<p>This paper described the federal government’s consideration of whether to charge fees for access to two heavily used sources of remote-sensing imagery: Landsat satellites operated by the US Geological Survey and the Department of Agriculture’s aerial-survey program run.</p>
	<p style="text-align: center;">Factors Identified</p> <ul style="list-style-type: none"> • Administrative costs and burden
	<p style="text-align: center;">Relevance for Fee Feasibility</p>
	<p>This paper emphasized the importance of considering all potential primary and secondary effects that could result from fee implementation. A feasibility assessment should consider not just expected effects, but also unanticipated secondary effects. It is important to note that these secondary effects may not be immediately observable. If the fee produces unobserved or unanticipated effects, there may be a delayed impact on program effectiveness and long-run sustainability.</p>
<p>U.S. Government Accountability Office (GAO). March 7, 2019. <i>Fees, Fines, And Penalties: Better Reporting of Government-wide Data Would Increase Transparency and Facilitate Oversight</i>. GAO-19-221. Web link</p>	<p>This report by the GAO documented the data collection and administration related to the issuing of fees and fines. This report looked at a variety of organizations in the US government that utilize fees to understand their data collection efforts and reporting systems. The report concluded that there was not effective and holistic data for the full government that identifies all the fees and fines that are utilized and provided recommendations for government policy and action.</p>
	<p style="text-align: center;">Factors Identified</p> <ul style="list-style-type: none"> • Administrative costs and burden
	<p style="text-align: center;">Relevance for Fee Feasibility</p>
	<p>This report discussed the administrative burden and associated costs related to recording and reporting requirements once fees are implemented. Agency programs that currently use fees have more operational hurdles and administrative burden when compared to programs that do not use fees.</p>
<p>U.S. Government Accountability Office (GAO). September 2013. <i>Federal User Fees: Fee Design Options and Implications for Managing Revenue Instability</i>. GAO-13-820. Web link</p>	<p>This GAO report discussed the fiscal implications of user fees and the design options available. This report examined the implications of having “unobligated” balances from fees as well as the inconsistency of fee revenue. The conclusion included six key questions on fee design decisions:</p>
	<ul style="list-style-type: none"> • How are fee rates set? • What congressional action triggers the use of fee collections? • What is the period of availability for the collections? • For what purpose may the collections be used? • To what degree will congress limit the amount of collections that can be used? • What types of report or oversight requirements are in place?
	<p style="text-align: center;">Factors Identified</p> <ul style="list-style-type: none"> • Economic sensitivity
	<p style="text-align: center;">Relevance for Fee Feasibility</p>
<p>This source emphasized the importance of fee structure and design. The ability for fees to improve program outcomes and effectiveness was dependent upon the service provided and alignment with the program purpose. Along with this the flexibility of fees to react to both consumer and government requirements allowed for a more effective implementation.</p>	

Source	Summary and Project Relevance
<p>U.S. Government Accountability Office (GAO). May 20, 2011. <i>Budget Issues: Better Fee Design Would Improve Federal Protective Service's and Federal Agencies' Planning and Budgeting for Security</i>. GAO-11-492. Web link</p>	<p>This study detailed how the Federal Protective Service (FPS) has increased its security fee four times over six years to cover costs, although it has not developed a deliberate fee design. GAO reported that timely fee reviews are critical for agencies funded by fees, to ensure that operating costs and fee collections aligned.</p> <p style="text-align: center;">Factors Identified</p> <ul style="list-style-type: none"> • Administrative costs and burden • Fee levels • Regulatory requirements <p style="text-align: center;">Relevance for Fee Feasibility</p> <p>This source described effective policies and governance to enable successful fee implementation. FPS' charging of fees provides an example of inefficient implementation that created additional costs for both the program and the participant. ETA can utilize this case study to consider the importance of annual reviews of fee design, specifically observing any new cost increases.</p>
<p>U.S. Government Accountability Office (GAO). January 23, 2009. <i>Federal User Fees: Additional Analyses and Timely Reviews Could Improve Immigration and Naturalization User Fee Design and USCIS Operations</i>. GAO-09-180. Web link</p>	<p>This paper examined the U.S. Citizenship and Immigration Services' (USCIS's) 2007 fee design in four different dimensions: efficiency, equity, revenue adequacy, and administration burden. The paper discussed topics including the structure of fees exemptions and waivers, limiting fee increases on populations that are likely unable to pay, and how to assign costs among users.</p> <p style="text-align: center;">Factors Identified</p> <ul style="list-style-type: none"> • Administrative costs and burden <p style="text-align: center;">Relevance for Fee Feasibility</p> <p>This document reflected results from changes made by a federal agency after implementing a GAO recommendation. The observed findings provide important insights on fee design and its effect on application numbers that should be considered when discussing the potential for fee implementation within an ETA program. This document also emphasized the importance of considering the trade-offs between anticipated revenue, value of the service, operational changes, and alignment with overall program purpose.</p>
<p>U.S. Government Accountability Office (GAO). February 2008. <i>Federal User Fees: Substantive Reviews Needed to Align Port-Related Fees with the Programs They Support</i>. GAO-08-321. Web link</p>	<p>In this report, the GAO examined how fees for air and seaport users are managed and their effect on program operations. Focusing on three programs, GAO assessed user fees based on equity, efficiency, revenue adequacy, an administrative burden.</p> <p style="text-align: center;">Factors Identified</p> <ul style="list-style-type: none"> • Fee levels • Fee collection methods • Clarity of fee administration • Administrative costs and burden • Support from affected parties <p style="text-align: center;">Relevance for Fee Feasibility</p> <p>This report yielded important factors that influence how fees affect program success. As shown in this report, equity, efficiency, revenue adequacy, and administrative burden are all affected by the fee structure. Therefore, selecting the most appropriate fee structure can be directly related to program success.</p>