

# Securing Unrestricted Funds Through a Fee-for-Service Model

## Introduction

Although the public and philanthropic sectors play a crucial role in funding workforce training programs, this support often comes with conditions—state and federal budgets are unpredictable and can change based on political priorities and economic conditions, and grants typically restrict how the funds can be used. To mitigate these limitations, a nonprofit might consider implementing a [fee-for-service model](#), or a payment structure where customers, such as employers, public agencies, or other nonprofits, are directly charged for the services they receive.

In the context of workforce training providers, the following are examples of fee-for-service offerings:

- **Technical Skills Training:** Instructional programs such as coding bootcamps or health care certifications.
- **Job Readiness and Placement Services:** Programs designed to prepare individuals for employment and help them secure jobs.
- **Supportive Services:** Provision of direct services to remove employment barriers for training participants and jobseekers, such as mental health counseling or digital literacy classes.
- **Professional Development and Coaching:** Workshops or advising related to your subject matter expertise or program design.

## A Step-by-Step Guide

By following the steps listed in this JFF resource, you can develop a fee-for-service model that ensures the sustainability of your nonprofit workforce training program while meeting the needs of your community.

### Step 1: Consider the costs and benefits of investing in a fee-for-service model.

While implementing a fee-for-service model has many potential upsides, there are also significant up-front costs. Here are some things to consider before investing in this strategy:

Benefits	Costs
<ul style="list-style-type: none"> <li>Gain new revenue sources</li> <li>Gain access to unrestricted revenue sources</li> <li>Gain ability to charge for the true cost of services</li> </ul>	<ul style="list-style-type: none"> <li>Need for a robust financial system that can track services provided, accounts receivables, and maintain separation from public funds (like Workforce Innovation and Opportunity Act) that have fee-for-service restrictions</li> <li>Need to advertise your services</li> </ul>

### Step 2: Identify your value proposition.

If you do decide that a fee-for-service model is right for you, you must define your organization's services or products as discrete offerings. Although you may typically offer comprehensive training programs with multiple components, it can be helpful to ask: What can be unbundled and sold separately?

#### Example Worksheet: Value Proposition Exercise

Name of Service Offering	Description
Service Offering 1:	
Service Offering 2:	
Service Offering 3:	
Example: Construction Training Program	An eight-week paid construction training program for participants 18+ that culminates in a Multi-Craft Core Curriculum (MC3) certificate.
Example: Digital Literacy Course	A three-hour, in-person digital literacy course for Spanish-speaking adults.

### Step 3: Assess market demand and identify your target customer(s).

Think about your value proposition and consider the possible customers who could benefit from your services. What needs are you satisfying for each customer?

Possible customers may include:

- Employers that may be looking to address talent acquisition and development pain points through external training and placement services.
- Other nonprofits that offer complementary services. For instance, if your organization offers mental health services to support training participants, you could offer this service for a fee to another provider that may not offer that specific wraparound support to participants.
- Public agencies, such as a county department or local workforce board.

### Example Worksheet: Identify Your Target Customer

Target Customer	Need Being Met by Your Service
Target Customer 1	
Target Customer 2	
Target Customer 3	
Example: Electric Vehicle (EV) Manufacturer	A technical training program for EV technicians can provide manufacturers with new talent to hire that have relevant industry skills.

### Step 4: Determine costs, set pricing, and market your offerings.

When determining the appropriate pricing for your program or service offering, it's essential to first analyze the internal costs and then consider market positioning through competitive analysis.

Consider the following when determining the internal cost of running your program or service offering:

- **Direct costs**, or those associated with delivering each training program, including materials, instructor salaries, and equipment. It's important to differentiate between variable costs, or those incurred for each participant (such as a certification fee), and fixed costs that stay the same regardless of participant number (such as venue rental).
- **Indirect costs**, such as administrative expenses, marketing, and overhead.

Once you have a reasonable estimate of your internal costs, it can be helpful to conduct a [competitive analysis](#) of similar programs offered by other organizations to determine pricing structures and services provided. This analysis can also help you identify organizations offering complementary services that could serve as collaborative partners.

Using both cost information and findings from the competitive analysis, you can now set the price for your service offering (e.g., \$500 per participant or \$10,000 per cohort).

**Resource:** Read "[Pricing For Purpose: How Nonprofits Can Approach Their Pricing Model](#)" to learn more about two potential pricing models—cost-plus and value-based.

Finally, creating and implementing a [marketing plan](#) can ensure you strategically promote your services to your target audiences.

#### **Case Example:**

Taller San Jose Hope Builders, a community-based agency in Orange County, helps young adults gain job training and life skills to escape poverty and achieve career success. Nationally recognized for its job training programs in health care, IT, construction, and business administration, Hope Builders partners with a local community college to offer entry-level certifications. Through close partnership with employers, the organization identified a pain point—staffing agencies often lack the ability to provide work-ready candidates that meet employers' needs. Hope Builders decided to address this pain point and now offers ten weeks of customized skills training and internships, leading to high conversion rates to direct hires, particularly in construction. Employers cover the internship costs (\$8,000 per intern) with Hope Builders serving as the employer of record. This earned-revenue model allows Hope Builders to reinvest 30% of these funds into program development, ensuring ongoing expansion and high operational standards to maintain employer investment.

One result of employers operating as paying customers is that Hope Builders must operate at a high level of professionalism and provide an objective assessment of training participants' readiness for internship and placement. Convincing employers to invest in new workers requires ongoing professional development for program staff and use of sophisticated data dashboards that show the return on investment for participating businesses.

#### **Resources:**

1. "[Developing a Fee-for-Services Structure](#)"
2. "[The Business Model Canvas](#)"