

Employability to Careers Program Annual Report

October 1, 2018

Prepared for:

The Social Services Appropriations Subcommittee
The Economic Development and Workforce Services Interim Committee
The Talent Ready Utah Board

Employability to Careers Program Board Members

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Introduction

The Employability to Careers Program was established through the enactment of House Bill 240 during the 2017 General Session. The objective of the Employability to Careers Program is to provide funding for the implementation of a results-based education, employability training, and workforce placement program for adults between 18 and 50 years of age; that do not have a high school diploma or the equivalent; and are enrolled in a public assistance program; and are unemployed or underemployed (Utah Code 63J-4 Part 7). The program is overseen by a five-member board, which currently consists of the following members:

- Stephen Lisonbee (Chair), designee of the Executive Director of the Department of Workforce Services;
- Jeremy Christensen, designee of the Executive Director of the Department of Human Services;
- Aaron Osmond;
- Julie Valois, recommended by the President of the Senate; and
- Lorie Fowlke, recommended by the Speaker of the House.

The board receives staff support from Duncan Evans of the Governor's Office of Management and Budget.

Utah Code 63J-4-708 requires the Employability to Careers Program board to provide an annual written report to the Social Services Appropriations Subcommittee, the Economic Development and Workforce Services Interim Committee, and the Talent Ready Utah Board on or before October 1 of each year. The written report shall include:

- (a) information regarding the fiscal intermediary, the programmatic intermediary, the eligible program provider, and the independent evaluator that have been selected;
- (b) the results of the feasibility analysis conducted in accordance with Section 63J-4-706;
- (c) information regarding how many eligible participants have been served by the education, employability training, and workforce placement program;
- (d) data and metrics:
 - (i) used to measure the progress, performance, effectiveness, and scope of the Employability to Careers Program, including summary data; and
 - (ii) that are consistent and comparable for each state operation, activity, program, or service that primarily involves employment training or placement as determined by the executive directors of the office, the Department of Workforce Services, and the Governor's Office of Economic Development;
- (e) a description of program expenses, including what payments have been made to the intermediary and the cost to the state for each successful eligible participant outcome; and
- (f) recommendations to the Legislature on any potential improvements to the Employability to Careers Program, including whether the program should continue to receive funding from the state.

The following information is being provided to fulfill these reporting requirements.

Status of Program Implementation (Reporting Requirements a-d)

The final member of the five-member board was confirmed by the Senate in October 2017. The board began meeting after having all five members in place and has held eight meetings between November 2017 and September 2018. During the first two meetings, the board reviewed the objectives and structure of the program. This included a presentation from Representative Mike Schultz, the primary sponsor of House Bill 240. After gaining an understanding of the program the board began the process of selecting a programmatic intermediary to assist the board with implementing the program. In February 2018, the board issued a request for information (RFI) to determine which organizations were interested and capable of filling the programmatic intermediary role. During the third meeting, the board reviewed the RFI responses and decided to select the programmatic intermediary through a request for proposal (RFP). The fourth and fifth board meetings were used to finalize the RFP, which was issued in May 2018. During the sixth meeting, in June 2018, the board formed an RFP review committee to score responses and selected Social Finance, Inc. as the programmatic intermediary.

During the August 2018 meeting, the board held a kick-off with Social Finance to outline a process and timeline for implementing the program. During the kick-off meeting, Social Finance provided an overview of multiple results-based funding models that have been utilized within the United States and internationally, including reallocation of existing funds, outcomes-based contracts, outcomes rate cards, prevention funds, and social impact bonds. In particular, Social Finance highlighted how the field of Pay for Success (PFS) has evolved since House Bill 240 was written and passed into law. As pioneers of the PFS field, Social Finance has shared insights with the board about factors that have made PFS projects successful, or unsuccessful, over the last seven years. Below are a few critical lessons that reflect the current state of best practices in the PFS field.

- Incorporating Pay for Success principles into varied structures, not just investor funded social impact bonds.
- Selecting an effective evaluation methodology that meets the goals of all project partners. Early projects relied heavily on randomized control trials to determine outcome payments. Government partners are now streamlining implementation by using readily available reporting and administrative data to validate achievement of outcomes, rather than hiring an external evaluation to conduct a rigorous impact assessment.
- Focusing on value and effectiveness rather than on cashable savings.
- Developing payment terms that incorporate results expectations rather than results thresholds. This structure ensures that outcome payments are proportional to results, effectively incentivizing results while building a sustainable ecosystem for future projects and impact investment.

After being introduced to results-based models, the board spent a significant amount of time discussing outcomes rate cards where the payer pre-specifies outcomes, metrics, and pricing. The rate card pricing may be fully or partially contingent on outcomes. During the September 2018 meeting, by a 4-1 vote, the board approved a motion to move forward with developing a provider RFP using an outcomes rate card. This vote was contingent upon further discussion with Rep. Schultz. While the exact metrics and pricing structure of the rate card is still being developed, a sample rate card is provided in Attachment 1. The current project timeline for implementing a rate card results-based program is outline in Attachment 2.

The board is still working with Social Finance to select eligible participants, outcome metrics, program providers, an independent evaluator, and a fiscal intermediary. We anticipate that the metrics will be finalized after the October 2018 meeting and before the provider RFP is released. Based on the current timeline, the board anticipates having participants enrolled with selected providers during the first quarter of 2019.

Program Expenses (Reporting Requirement e)

As of October 1, 2018, the board has expended \$41,258. This includes \$40,000 for the completion of the first phase of the programmatic intermediary contract with Social Finance. If no investor financing is utilized, the contract will pay Social Finance a total of \$150,000 for the first five phases needed to implement to program. The contract allows for additional billings by Social Finance if the board elects to utilize investor financing. Additionally, the contract provides \$105,000 for each year support is provided after the project is implemented, up to five years after the contract start date. The contract gives the board and Social Finance the option to end the contract at any point in the future.

The board has also expended \$1,258 for meeting costs, including per-diem and millage reimbursements.

Board Recommendations to the Legislature (Reporting Requirement f)

During multiple meetings the board has discussed two parts of the current program statute that are unclear: (1) the high school diploma requirement and (2) the necessity of a fiscal intermediary. The board has asked its staff and the programmatic intermediary to conduct further research so these two issues can be discussed in future board meetings. Although the board has not passed motions to make official recommendations for either issue, the Legislature should still be aware of the two issues that have been discussed.

1. High School Diploma Requirement

The Employability to Careers Program statute (63J-4-701) includes the following definitions:

(2) "Education, employability training, and workforce placement program" means a pay-for-success program that helps adults earn a high school diploma and obtain a full-time job with benefits in a career path through integrated employability skills development;

(9) "Performance outcome measure" means an education or workforce placement outcome for an eligible participant, including earning an accredited high school diploma, employment placement, job retention, and wage advancement within a career path, which results in a demonstrated benefit to the state through increased tax revenue or lower state expenditures for public assistance programs.

During multiple meetings the board discussed whether or not program and outcome definitions for a high school diploma include only a traditional high school diploma or other equivalents. Since the term *High School Diploma* is not defined in Title 63J, Chapter 4 of that title, or Part 7 of that chapter, the board has discussed the meaning as well as potential need to update the statute to clarify the meaning. For example, the State Board of Education has established rules for awarding a *Utah high school completion diploma* (Utah Administrative Code R277-702) and an *Adult Education Secondary Diploma* (Utah Administrative Code R277-733). While these two educational attainment documents have

different completion processes compared to a traditional high school diploma, both are ultimately diplomas awarded by a local education agency in the State of Utah.

Ultimately, the board's intention is not to lower program standards for the Employability to Careers Program. The board has discussed offering incentives for program participants to obtain post-secondary credentials. The flexibility of multiple diploma equivalents could accelerate the enrollment in and completion of other credential or certificate programs. The program definitions that include a *high school diploma* may require further clarification or a statute change.

2. Necessity of a Fiscal Intermediary

The Employability to Careers Program statute (63J-4-701) includes the following definition:

(7) "Fiscal intermediary" means a nonprofit community foundation located in the state that establishes and manages charitable funds and that has the necessary experience to coordinate the funding and management of a results-based contract and related program.

Additionally, 63J-4-703(3) states that the board may utilize funds from the Employability to Careers Program Restricted Account for the following:

*(e) to make payments to a fiscal intermediary that has entered into a results-based contract with the board as described in Section 63J-4-704, if the independent evaluator selected by the board determines that the performance-based results have been met; and
(f) to contract for other services as necessary to implement the Employability to Careers Program.*

However, the statute also states in 63J-4-704(2) that the board's results-based contract shall include:

- (a) a requirement that the repayment to the fiscal intermediary be conditioned on specific performance outcome measures described in the results-based contract and in accordance with this part;
- (b) a requirement for an independent evaluator to determine whether the performance outcome measures have been achieved; . . .

In 63J-4-705(3) The board and the programmatic intermediary shall consider the following requirements and criteria for selecting an eligible program provider: . . .

(f) the potential eligible program provider's ability to attract private or philanthropic investors; .

..

Section 63J-4-706 on the Feasibility analysis provides, in part,

(2) The feasibility analysis shall include:

. . . (e) projecting the financial value of the improvements that may result from the Employability to Careers Program investment, including projected public sector savings and projected returns to investors; . . .

. . . (h) determining the potential pool of investors likely to invest both in and outside the state

Section 63J-4-707(2) provides:

Subject to legislative appropriations, and in accordance with the contract between the board and the fiscal intermediary a separate payment shall be made by the board from the restricted account to the fiscal intermediary in a specific amount for each successful result in accordance with the terms and conditions of the results-based contract.

At this point, the board anticipates moving forward with a rate card results-based financing structure that will not likely involve investor financing. Under that scenario, or even under a scenario where investor financing is utilized, contracting with a Fiscal Intermediary could add administrative costs to the program. The board would like further clarification if it would be allowed to directly contract with providers under 63J-4-703(3)(f) if it feels this is necessary to implement the Employability to Careers Program. While the board hasn't passed a motion requesting specific statutory changes, the Legislature could consider changing the statute to permit Governor's Office of Management and Budget to fulfill all roles identified for a fiscal intermediary if the board elects to structure the program in this manner.

The Board is concerned about the time it has taken to implement the statute and is seeking direction as to priorities, i.e. whether the State prefers this program move forward more expeditiously or whether the program be created in exact conformance with the statute.

Attachment 1: Sample Rate Card

A rate card can incentivize immediate job placement outcomes as well as longer- term job retention, wage advancement, and educational outcomes; providers can be motivated to serve priority target populations via differentiated pricing. While the board hasn't determined the metrics or pricing for a rate care, the following illustrates how a rate card could be structured:

Metric	Price
Accredited HS Diploma or Equivalent Attained	\$
Enrolled in employability skills training program	\$
Job Placement	\$\$
Job Placement - <i>Sector Bonus</i>	\$
6-Month Sustained Employment	\$\$
12-Month Sustained Employment	\$\$\$
12-Month Earnings Increase	\$\$
Postsecondary Credential Attained	\$\$\$
Postsecondary Credential Attained – <i>Sector Bonus</i>	\$
Maximum Possible Payment Per Individual	\$X

Attachment 2: Current Project Timeline

