

# **Employability to Careers Program Annual Report**

## **October 1, 2019**

**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**

Stephen Lisonbee (Chair)  
Aaron Osmond                      Jeremy Christensen  
Julie Valois                        Lorie Fowlke

Staff, Duncan Evans  
Governor's Office of Management and Budget  
devans@utah.gov  
801-538-1592

## Introduction

The Employability to Careers Program was established during the 2017 General Session to implement 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; 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.

The Employability to Careers Program board is required 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 content required in the report is outlined in Utah Code 63J-4-708. Because a significant portion of the program budget was reallocated to other programs during the 2019 General Session, the board decided to pause program implementation until it receives additional input from the legislative committees and Talent Ready Utah board that receive this annual report.

## Status of Program Implementation

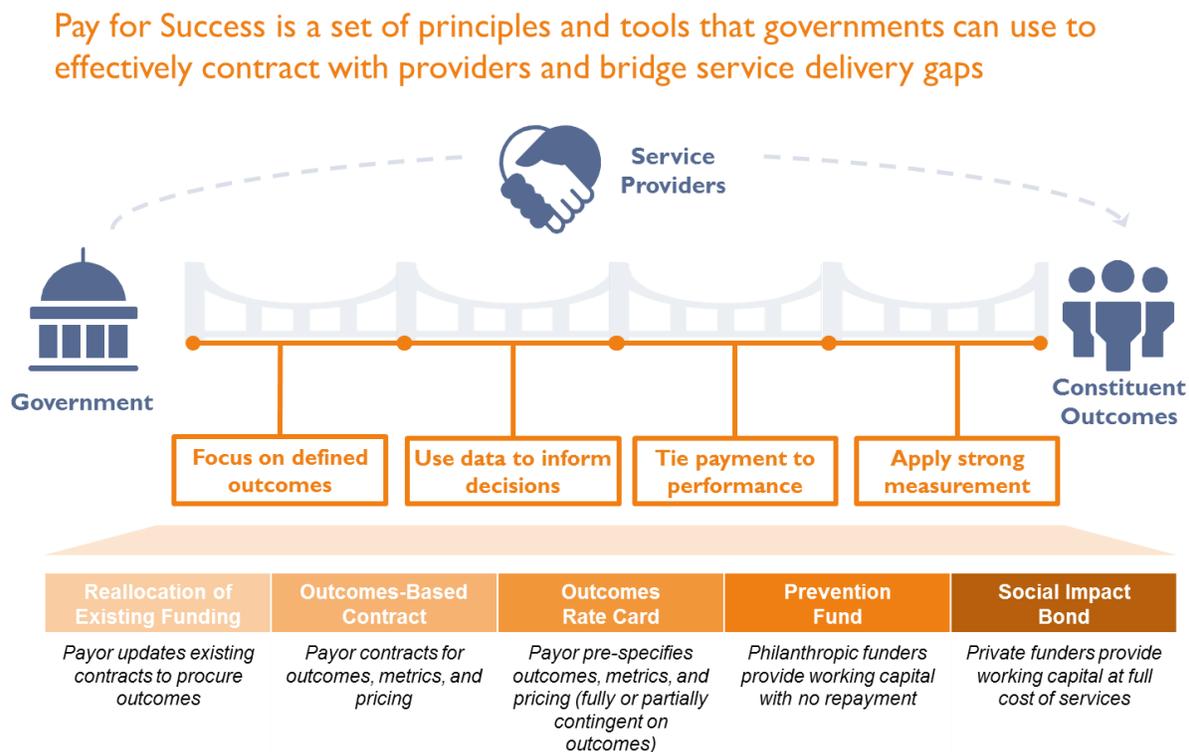
When the Employability to Careers Program was created during the 2017 General Session, it received a \$1 million one-time General Fund appropriation. An additional \$9 million one-time General Fund appropriation was provided during the 2018 General Session, bringing the original program budget to \$10 million. However, \$9 million was reallocated to other programs by the Legislature during the 2019 General Session, leaving a \$1 million budget for the program. After the board learned about the funding cut, they discussed options for utilizing the remaining funding during their April 2019 meeting and decided to pause program implementation until receiving additional guidance from legislative interim committees and the Talent Ready Utah Board.

Prior to the funding reduction, the Employability to Careers Program board met twelve times between November 2017 and February 2019 to oversee the implementation of the Employability to Careers Program. Details about the first eight meetings held between November 2017 and September 2018 were provided in the board's 2018 annual report.

One of the most significant lessons learned during the initial eight meetings was the variety of results-based funding mechanisms that have been used by various levels of government. Results-based contracting (also known as Pay for Success) is a collection of principles or tools that governments can use to scale promising interventions and effectively contract with providers. These tools focus on defined outcomes, use data to inform decisions, tie payment to performance, and seek to apply strong governance and measurement (see Figure 1. Outcomes-Based Funding Options). Utah is considered a

pioneer and first mover in the results-based contracting space, using Pay for Success principles, including public-private partnerships and investor financing to scale high-quality early childhood education.

Figure 1. Outcomes-Based Funding Options (Presented by Social Finance)



After extensive discussions, the Employability to Careers Program Board determined that an Outcomes Rate Card would be the most effective tool for implementing the Employability to Careers Program. A sample rate card is shown in Attachment 1 at the end of this report. During four meetings held between October 2018 and February 2019, the board focused on developing a rate card to pay program providers. Key steps in this process included the following:

- Understanding the value of different types of high school diplomas and equivalents.
- Discussing if a fiscal intermediary would add value to the program or just lead to unnecessary overhead costs.
- Obtaining data from Utah State Board of Education’s Adult Education Program and the Department of Workforce Services to understand eligible population and value of receiving a high school diploma or equivalent (see Attachment 2 at the end of this report).
- Designing an evaluation process to determine when rate card outcomes have been met and determine the program return on investment.
- Determining how much to pay for specific types of outcomes, including completion of a high school diploma or equivalent, employment, and wage growth.
- Preparing a request for proposal to select program providers.

The board originally anticipated that its April 2019 meeting would be used to finalize rate card pricing and release a provider request for proposal. However, the agenda had to be revised to focus on the \$9 million budget cut taken during the legislative session.

During the April meeting, the board's programmatic intermediary, Social Finance, presented three options for how the remaining program budget could be used: (1) secure funds from other sources, (2) pilot a rate card for a scaled-back number of participants, or (3) identify other uses for the funding that would benefit the eligible program participants. After the presentation and discussion, the board decided to seek input from the bill sponsor and the legislative committees that to which the board reports. If no additional funding will be restored to the program, the board would like to reallocate the remaining funding for grants that focus on the population being served by the Employability to Careers Program and track performance outcomes.

### **Program Expenses**

When the Employability to Careers Program was created during the 2017 General Session, it received a \$1 million one-time General Fund appropriation. An additional \$9 million one-time General Fund appropriation was provided during the 2018 General Session; however, the \$9 million was reallocated to other programs by the Legislature during the 2019 General Session.

As of October 1, 2019, the board has expended \$141,900. This includes \$140,000 for the completion of the first two phases of the programmatic intermediary contract with Social Finance. The board has also expended \$1,900 for meeting costs, including board member per-diem and millage reimbursements. This leaves an unexpended balance of \$858,100.

After \$9 million was pulled back from the program, the board evaluated options for utilizing the remaining funding. Because of statutory requirements to utilize a programmatic intermediary, fiscal intermediary, and independent evaluator, the board determined that implementing a \$1 million program will have nearly the same administrative costs as implementing a \$10 million program. Additionally, it was not clear if the Legislature knew that there was more than \$9 million that hadn't been spent when the \$9 million was pulled back. Due to those two factors, the board decided to seek input from the Legislature before moving forward with additional program implementation expenses.

Originally, the Social Finance contract scope of work budgeted \$150,000 for program implementation if no investor financing is utilized, and up to five years of post-implementation support at an annual cost of \$105,000. The remainder of the program funds were budgeted for meeting costs and contracts with a fiscal intermediary, independent evaluator, and program provider. After the \$9 million funding cut, the board and Social Finance restructured the contract scope of work. Social Finance was paid \$140,000 for the work they performed for program implementation, but all future work was put on hold until the board receives additional input. If the board decides to continue program implementation, based on input from the Legislature, the board can ask Social Finance to resume work on the project.

### **Board Recommendations to the Legislature**

During its April 2019 meeting, the employability to Careers Program Board passed the following three motions:

- 1. The board chair meet with the legislative sponsor, Representative Schultz, to understand legislative intent regarding the program and future plans for the program budget.*
- 2. Board staff, with assistance from Social Finance, provide a status update report to the committees and boards that the board is required report to. The status update will include the Board's recommendation to reallocate the remaining funding for grants that focus on the population being served by the Employability to Careers Program and track performance outcomes, if no additional funding is going to be restored to the program.*
- 3. The board chair and staff report back to the board the input provided by the Representative Schultz and members of the committees and boards that we report to.*

Based on these motions, the board's main recommendation to the Legislature is that the Social Services Appropriations Subcommittee and Economic Development and Workforce Services Interim Committee provide feedback about the continuation of program implementation. The board will also provide a copy of this report to Representative Schultz, who sponsored the bill creating the program, and the Talent Ready Utah Board to solicit additional feedback. In particular, the board wants to know if any of the \$9 million funding cut will be restored, if the Legislature intends to cut that remaining \$858,100 during the 2020 General Session, or if board should spend the remaining \$858,100.

The remaining \$858,1000 from the Employability to Careers Program Restricted Account (63J-4-703) can be used for the following purposes:

- a. to contract with a fiscal intermediary for the management of a results-based contract;
- b. to contract with a programmatic intermediary to validate a feasibility analysis and structure the terms and conditions of a results-based contract, including developing cost-benefit financial models, performance outcome measures, payment schedules, and success thresholds;
- c. to contract with an independent evaluator as described in Section 63J-4-704;
- d. to pay for office expenses related to administering the Employability to Careers Program and providing staff support to the board;
- 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.

The board believes the best use of the remaining \$858,100 would be awarding grants that focus on the population being served by the Employability to Careers Program and track performance outcomes. However, it is not clear if the provision that allows the board "to contract for other services as necessary to implement the Employability to Careers Program" gives the board authority to award grants without more specific legislative intent language or statutory changes supporting that approach.

**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 approved the final metrics or pricing for a rate card, the following illustrates how a rate card could be structured:

<b>Outcome Metric</b>	<b>Definition</b>	<b>Measurement Approach</b>	<b>Measurement Timing</b>	<b>Price Per Outcome</b>	<b>Max Price per Person</b>
<b>Engagement in program</b> <i>Output Metric</i>	Participant is engaged in program for a minimum of 12 instructional hours in the given quarter	Validated outcomes using Provider data	Each quarter for up to 4 quarters	\$300	\$1,200
<i>The following metrics require attainment of a secondary credential:</i>					
<b>Employment</b> <i>Short-term Outcome Metric</i>	Participant has attained secondary credential and has positive earnings in the given quarter	Validated outcomes using USBE and DWS data	Each quarter from 2 <sup>nd</sup> to 4 <sup>th</sup> quarters after program exit	\$600	\$1,800
<b>Earnings increase</b> <i>Long-term Outcome Metric</i>	Participant has attained secondary credential and annualized average earnings in Q1-4 after program exit are greater than annualized average earnings in Q1-8 before program enrollment	Pre-post for each participant using DWS data	4 <sup>th</sup> quarter after program exit	Up to \$8,500	

## Attachment 2: Adult Education and Workforce Services Data Analysis

### Data Goals

The Employability to Career Program's programmatic intermediary, Social Finance, worked with the Utah State Board of Education's (USBE's) Adult Education program and the Department of Workforce Services (DWS) to analyze administrative data to estimate the potential fiscal value to Utah of adult education participation. Research goals included following:

1. What is the effect of participation in Utah Adult Ed on earnings and public assistance usage?
2. What is the "baseline" earnings and public assistance ("PA") usage of those without a high school diploma or equivalent?

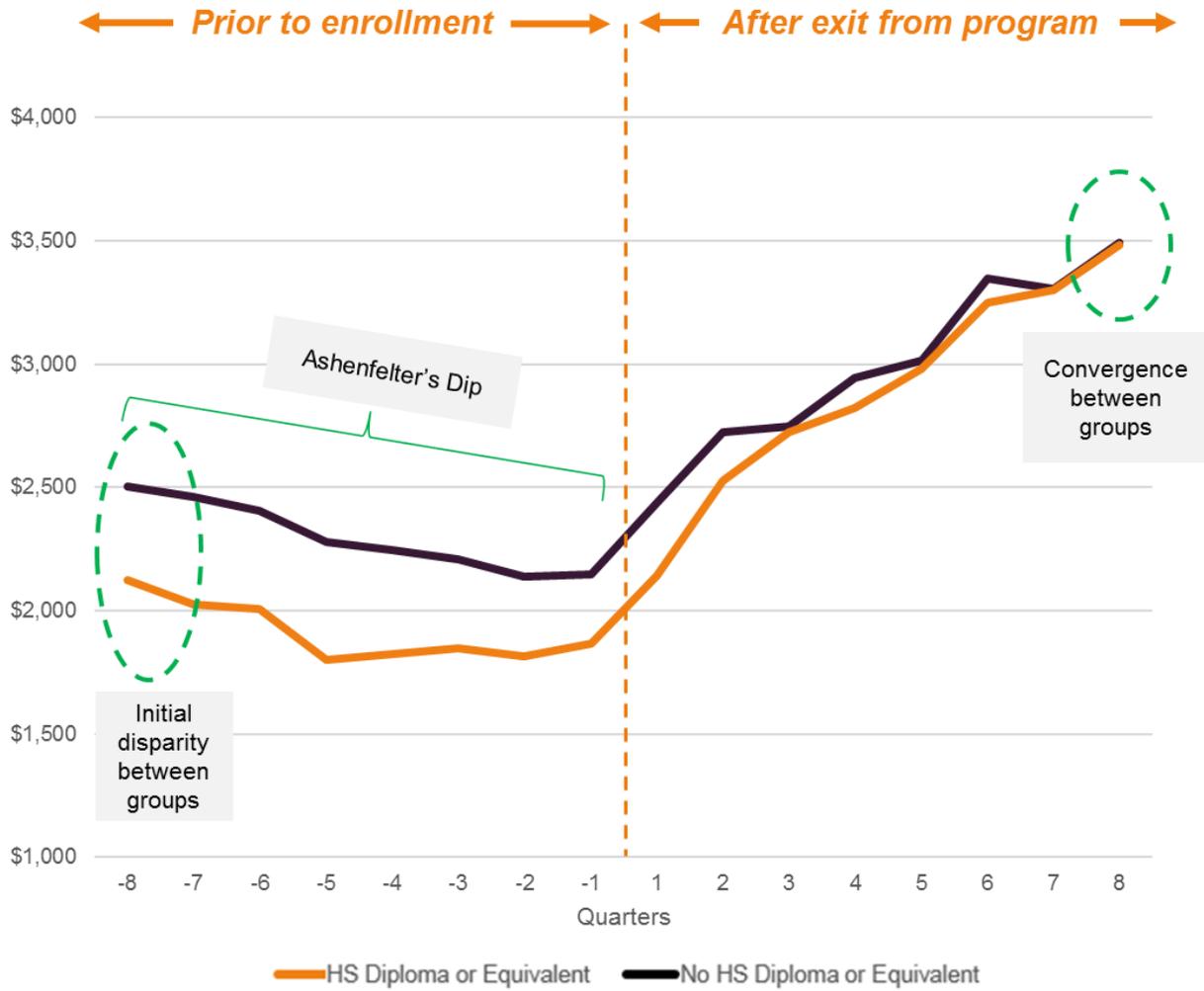
### Process

- I. USBE Adult Education provided individual records of all participants from 2011-2016, including each exit outcome: graduation with a high school diploma, attainment of a high school equivalent (GED), and exit with no credential attainment
- II. DWS received the above from USBE Adult Education and subsequently retrieved for each individual:
  - i. Quarterly earnings data for the eight quarters prior to enrollment and the eight quarters post exit
  - ii. The number of individuals receiving public assistance, including financial, SNAP, childcare, and medical assistance
  - iii. The average dollar level of public assistance received prior to enrollment in USBE Adult Education
- III. DWS aggregated the earnings and public assistance data into groups of exit type (e.g., those who exited with a secondary credential, those who exited without a credential)

### Key Findings

- Those who exited USBE Adult Education without a credential had higher average earnings prior to enrollment than those who exited with a credential
- Both groups demonstrate the "Ashenfelter's Dip" phenomenon in which earnings often fall just prior to entering a training program
- Earnings for both groups converge eight quarters after exit
- Due to the different starting points, those who exit with a credential see a higher percentage increase in earnings
- Due to data limitations on public assistance utilization, no conclusive findings were observed on the impact of USBE Adult Education participation on public assistance usage; further research is recommended

## Median Quarterly Earnings based on Attainment at Exit



Source: USBE Adult Education and DWS data