

State of Washington
Joint Legislative Audit & Review Committee (JLARC)



**JLARC's Evaluation Plan
for the Unemployment Insurance
Training Benefits Program**

Briefing Report

January 2012

*Upon request, this document is available in
alternative formats for persons with disabilities.*

Joint Legislative Audit and Review Committee

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The Joint Legislative Audit and Review Committee (JLARC) works to make state government operations more efficient and effective. The Committee is comprised of an equal number of House members and Senators, Democrats and Republicans.

JLARC's non-partisan staff auditors, under the direction of the Legislative Auditor, conduct performance audits, program evaluations, sunset reviews, and other analyses assigned by the Legislature and the Committee.

The statutory authority for JLARC, established in Chapter 44.28 RCW, requires the Legislative Auditor to ensure that JLARC studies are conducted in accordance with Generally Accepted Government Auditing Standards, as applicable to the scope of the audit. This study was conducted in accordance with those applicable standards. Those standards require auditors to plan and perform audits to obtain sufficient, appropriate evidence to provide a reasonable basis for findings and conclusions based on the audit objectives. The evidence obtained for this JLARC report provides a reasonable basis for the enclosed findings and conclusions, and any exceptions to the application of audit standards have been explicitly disclosed in the body of this report.

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Evaluation Plan
for the UI
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Program
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STATE OF WASHINGTON
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REPORT SUMMARY

JLARC Plans a Three-Tiered Approach to Evaluate the UI Training Benefits Program

As part of extensive unemployment insurance (UI) legislation passed in 2011, the Legislature directed JLARC to conduct a thorough evaluation of the efficiency and effectiveness of the Employment Security Department's unemployment insurance Training Benefits Program. Most of the changes made to the Training Benefits Program apply to participants entering the program starting July 1, 2012.

JLARC's study approach has three tiers:

| | |
|-------------------|--|
| Tier One | Describes the implementation and operation of the program. This approach is called a Process Evaluation . |
| Tier Two | Describes key facts about the program, such as numbers of participants, their characteristics, and program costs. This is called a Gross Impact Analysis . |
| Tier Three | Determines whether the positive or negative outcomes of program participants are a direct result of the program; Tier Three will also assess whether the program is cost-effective. This is called a Net Impact Evaluation with a Cost-Benefit Analysis . |

JLARC's Approach Is Cost-Effective, as it Leverages Existing Resources to Meet the Study Requirements

- Most of the Process Evaluation will be carried out by JLARC staff using available capacity. A survey of participants, non-participants, and employers will require additional funding.
- The Gross Impact Analysis relies on a study that the Legislature already requires of the Employment Security Department.
- The Net Impact Evaluation and Cost-Benefit Analysis may rely on a model newly developed by the Employment Security Department; some additional resources will be required for reviewing the work to ensure it is credible and objective. The Department plans to publish its new study in January 2012.

Study Completion in 2015

The 2011 UI legislation includes a number of triggers for completion of JLARC's report. Based on these triggers and a forecast by ESD, JLARC anticipates it will present its report in December 2015.

Both the Process Evaluation and Gross Impact portions of the study will include an analysis of the effects of the 2011 legislation's changes to the Training Benefits Program. For example, the Process Evaluation may examine how ESD implements changes related to the elimination of certain deadlines for displaced workers. The Gross Impact Analysis will reflect any changes in enrollment resulting from expanding definitions of displaced workers.

Adequately capturing the outcomes from the Training Benefits Program requires at least three years of follow-up information. Thus the 2015 Net Impact Evaluation is unlikely to include full analyses of the changes of the 2011 legislation (such as eligibility) on recipients after 2011. It will contain information on the outcomes of participants receiving benefits prior to 2011.

Study Cost Estimates

The staff costs associated with JLARC completing the study will be absorbed within existing resources. JLARC will require the following additional funding to complete the study:

FY 12: \$20,000 for review of ESD's January 2012 Net Impact Evaluation/Cost-Benefit Analysis on the UI Training Benefits Program

FY 15: \$122,000 for consultants to conduct surveys for the Tier 1 Process Study and for review of and assistance with the Tier 3 Net Impact Evaluation/Cost-Benefit Analysis

FY 16: \$48,000 for consultants to conduct surveys for the Tier 1 Process Study and for review of and assistance with the Tier 3 Net Impact Evaluation/Cost-Benefit Analysis

This estimate does not reflect ESD's costs for refreshing its study data.

JLARC'S EVALUATION PLAN FOR THE UI TRAINING BENEFITS PROGRAM – ADDITIONAL DETAIL

The Legislature Directed JLARC to Evaluate the Unemployment Insurance (UI) Training Benefits Program

Regular unemployment insurance provides 26 weeks of income support for unemployed workers. This income support is funded by employer payroll taxes. Up to 73 weeks of additional income support is currently funded by the federal government.¹

The **Training Benefits Program** provides an additional 26 weeks of income support for certain unemployed workers in approved training, funded through employer payroll taxes. The Training Benefits Program is intended to make retraining available for unemployed individuals whose skills are no longer in demand; enhance participants' skills and earning power; and target retraining to high-demand occupations. Statute charges the Employment Security Department with implementing the program.

Funding for the program is provided solely for income support while an unemployed worker is in approved training. Expenditures totaled \$20 million in Fiscal Year 2011. Participants are required to find other sources, such as federal training programs, Pell Grants, loans, or personal resources, to pay for training courses.

As part of extensive UI legislation passed in 2011 (EHB 1091), the Legislature directed JLARC to conduct a thorough evaluation of the efficiency and effectiveness of the Training Benefits Program. This report provides the Legislature with detail on JLARC's plan to evaluate the program. The remainder of this report focuses on JLARC's approach.

JLARC Plans a Three-Tiered Approach to Evaluate the Training Benefits Program

Tier One *JLARC's Process Evaluation Will Include an Analysis of the Entire Training Benefits System, Relying Mainly on Existing Resources*

Process evaluations focus on describing the implementation and operation of a program.

The provision of the Training Benefits Program, and specific training courses, includes multiple agencies and a wide range of stakeholders. These include: the Employment Security Department, unemployed workers, employers, colleges (private and public), the State Board for Community and Technical Colleges, approximately 66 WorkSource offices, and 12 Workforce Development Councils.

Key questions that JLARC will seek to answer in the process evaluation are as follows:

¹ Twenty weeks of federally funded benefits are projected to end February 29, 2012; 53 weeks of federally funded benefits are projected to phase out by August 15, 2012.

- Were changes made in 2011 UI legislation implemented according to statute?
- Are the agencies involved working together effectively?
- Is retraining made available to unemployed workers whose skills are no longer in demand?
- Are barriers encountered by those who attempt to access the program?
- Are there differences in how services are being offered at different locations?

To answer these questions, JLARC staff will conduct interviews and site visits, and will contract for a survey of participants, non-participants, and employers.

Tier Two ***The Gross Impact Analysis Relies on the Employment Security Department for an Assignment Already Mandated by the Legislature***

A gross impact analysis typically provides information about the number of participants enrolled and their characteristics, program inputs (e.g., type and duration of training, costs) and outputs (e.g., number who complete training, post-training employment, and earnings).

The Legislature requires the Employment Security Department to report annually on a number of data elements, including demographic information on participants, cost information on the program, an analysis of training provided including the number of participants who take courses in basic language, reading or writing skills, employment and wage history of participants, and a survey-based assessment of the employment outcomes for program participants.

One important piece of information JLARC intends to add to this list is the type of training provided (besides basic skills), and enrollment and completion data. JLARC plans to obtain this data from the independent and private career colleges, the State Board for Community and Technical Colleges, the Workforce Training and Education Coordinating Board, and the Office of Financial Management's Education Research and Data Center. The participation of these agencies will be critical in the success of the analysis.

Questions that may be answered with this type of analysis include:

- Were there changes to the number of participants in the Training Benefits Program after the 2011 legislation?
- How many students complete training, how many do not, and what are their demographic characteristics?
- How many students attend training full-time vs. part-time?
- How long does training last on average, per participant?
- Does the training lead to high demand jobs? Do the jobs typically require degrees or certificates?
- How many students are taking courses, and in what types of classes?
- What type of work did participants do prior to unemployment?
- Once participants receive training, do they tend to return to previous employers?
- Do participants become employed in the field for which they received training?
- Do participants use other social assistance programs (such as TANF and food stamps), and what are the costs for those programs?

**Tier
Three**

The Net Impact Evaluation and Cost/Benefit Analysis May Rely on an Existing Model, With Additional Review

The goal of a net impact evaluation is to determine whether the positive or negative outcomes of program participants are a direct result of the program being studied. In other words, the study seeks to determine the extent to which participants had different employment outcomes as a result of the program.

A cost-benefit analysis combines results from the net impact analysis with cost data, allowing policymakers to determine whether the program is cost-effective.

These techniques will be used to answer questions such as:

- Did participants reduce their use of Unemployment Insurance and other income support as a result of the Training Benefits Program?
- Did employment/wages change for participants as a result of the program?
- Do the types of courses or programs completed by participants make a difference in employment/wages?
- Is the program cost-effective?

Studies of this type generally require at least a three-year period to allow enough time for follow up on employment and wage outcomes, plus an additional year to collect the data and write the report.

Most changes made in the 2011 UI legislation apply to participants entering the Training Benefits Program starting in July 2012. There will not be sufficient time by the 2015 report date to report on a three-year outcome for individuals entering training beginning in 2012. However, some shorter-term information will be available, such as outcomes after one or two years. Three-year outcomes should be available for participants entering the program prior to 2012.

ESD is currently planning to publish a net impact evaluation combined with a cost-benefit analysis in January 2012. JLARC contracted with a labor economist to assist us in designing our study. The consultant identified the method used by ESD as consistent with methods commonly used in net impact studies. Due to the timing of ESD's publication date, the consultant was not able to verify the credibility of the actual results.

Because of the potential appearance of a conflict in having ESD conduct an evaluation of its own program, JLARC next plans to contract with a consultant to review ESD's study. Based on this review, JLARC will learn more about the potential for using the ESD model to meet the needs of JLARC's 2015 report. ESD estimates a cost of approximately \$82,000 to refresh its study with new participant data.

JLARC's net impact evaluation will also draw on the college data that will be collected in Tier Two. The participation of the independent and private career colleges, State Board for Community and Technical Colleges, and the Office of Financial Management's Education Research and Data Center will be critical.

JLARC's Approach Is Cost-Effective, as it Leverages Existing Resources to Meet the Study Requirements

The process evaluation can be mostly accomplished within JLARC's existing resources, with additional funding of \$120,000 required for surveys of participants, non-participants, and employers. Using a portion of JLARC's staff resources for this study will reduce JLARC's capacity to conduct additional studies during this time period.

The gross impact analysis draws on work already required by the Legislature. No additional funding is necessary.

The net impact evaluation and cost-benefit analysis may leverage work already in progress. JLARC will require \$70,000 for a consultant that specializes in employment outcomes to review the ESD model and assist with JLARC's future assignment.

Study Completion in 2015

The statute directing JLARC's assignment requires a report depending on any one of three conditions:

1. Three years after the 2012 implementation date of the legislation and every five years thereafter; or
2. Any year in which ESD is required to suspend obligation of the Training Benefits Program (triggered when the amount available for Training Benefits at any time is equal to or less than \$5 million); or
3. Any year in which the Training Benefits Program expenditures are more than \$25 million.

The Employment Security Department has provided JLARC with a forecast indicating that the second and third conditions are unlikely to occur before the year 2015. Based on this forecast, JLARC estimates that its report will be due to the Legislature in December 2015.

Study Cost Estimates

The staff costs associated with JLARC completing the study will be absorbed within existing resources. JLARC will require the following additional funding to complete the study:

FY 12: \$20,000 for review of ESD's January 2012 Net Impact Evaluation/Cost-Benefit Analysis on the UI Training Benefits Program

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