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1114 Thomasville Road ■ P.O. Box 10209 ■ Tallahassee, FL 32302 ■ Phone: (904) 222-5052 ■ Fax: (904) 222-7476

Florida's Job Training Programs: What is the Return on Taxpayers' Investment?

In Fiscal Year 1992-93, more than \$222 million federal and state dollars were spent in Florida for four workforce development and job training programs. Moreover, some job training program participants also receive public assistance, where even more millions are being spent. Yet the results or benefits of these programs -- the actual payoff for taxpayers -- still have not been accurately assessed. For this reason, Florida TaxWatch recently participated in a study sponsored by the Florida Department of Labor and Employment Security that called for a return on investment analysis of selected state job training and workforce development programs. A preliminary analysis found that generally there may be a positive return on taxpayers' investments.

Those responsible for making program funding decisions often have access to very little objective and reliable performance data. This data is necessary in order to reach important judgements concerning which programs add the most value. The scarcity of historical or contemporary data in this area makes it difficult to determine the cost consequences of today's decisions and to forecast future quantifiable results. Florida TaxWatch has long called for greater attention to performance measurement and accountability in the budgetary process. Measuring the results of past expenditure patterns should serve as the basis for constructing the scope and direction of future investments.

This type of critical examination -- comparing the value of funds invested in a program relative to

the value of the program's results -- reflects the kind of accountability and performance measurement initiatives Florida TaxWatch has urged public officials to undertake on a systematic basis. This report describes the methodology -- a Cost-Consequences Analysis -- and preliminary results from this important project.¹

Cost-Consequences Analysis

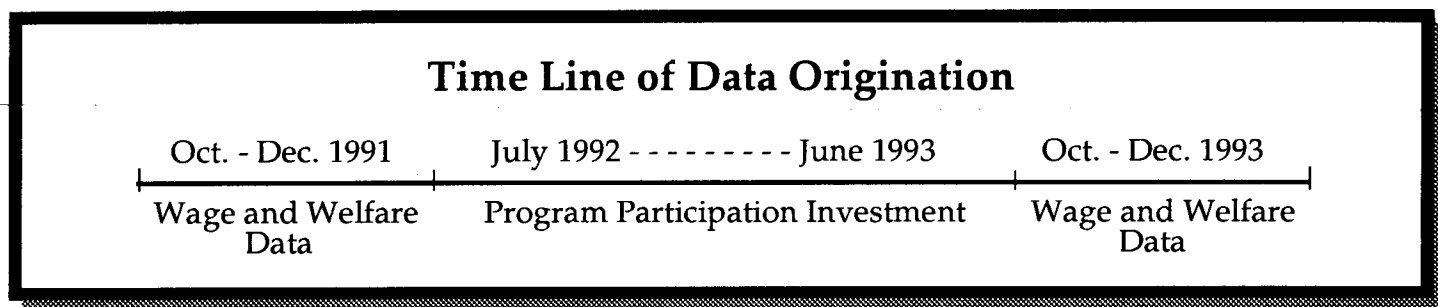
A coarse-grained approximation of return on investment -- a Cost-Consequences Analysis -- compares the value of funds invested in a program relative to the value of the program's results. In job training programs, this entails calculating society's investment in improving the employability of program participants and their resulting self-sufficiency and self-reliance. Self-sufficiency and self-reliance are indicated by consideration of post-program earnings, tax contributions, and reduction in public assistance benefits. A Cost-Consequences Analysis does not determine cause and effect relationships.

Four programs were analyzed to determine both the usefulness of our approach as well as to estimate relative cost consequences: the Jobs Training Partnership Act Title IIa (Adult and Youth), Title III and Project Independence. All four provide assistance to enhance the employability of those

¹ The methodology followed in this project was developed from ideas and constructs designed by Roger Kaufman, Ph.D., Florida State University. See *Strategic Planning Plus: An Organizational Guide for a detailed discussion of the research methodology.*

who are unemployed, underemployed, or dislocated workers and decrease or eliminate dependence on public assistance. Considering the number of program participants who complete and leave each program, the program fiscal investment in those persons, their level of earnings, public assistance and federal tax contributions (FICA) both before and after program participation, it is possible to calculate a cost consequence. A benefit to the participant is realized when sustained, gainful employment results. Long-term benefits to the public are realized as program participants no longer receive public assistance, thereby achieving a possible positive return on invested public dollars.

Using data from the Florida Education and Training Placement Information Program (FETPIP), the Florida Department of Labor (DOL) and the Florida Department of Health and Rehabilitative Services (HRS), preliminary cost-consequences calculations were conducted. The total expenditures for each program were divided by the total number of exiters in order to find the average cost per exiter. This provides a baseline which will be compared to later savings. The indicators of dependency on public assistance was computed by determining the number of participants involved in Aid to Families with Dependent Children (AFDC), Food Stamps and Medicaid programs. These raw numbers were multiplied by the average amounts given to participants in these public assistance programs to find an aggregate amount per quarter. This amount then was annualized to find a raw total dollar figure for these programs. Earnings for participants were generated using data from FETPIP. The total earnings for the fourth quarter of calendar years 1991 and 1993 were used to compute an annualized amount for federal fiscal year 1994. An increased tax revenue estimation also was made based on earnings for the fourth quarter of 1993. This FICA amount (the employer's portion) was annualized also. Earnings data includes the employee's portion of FICA.



Preliminary Results

The preliminary results from the analysis of the return from program investments during state Fiscal Year 1992-93 are provided in Figures 1 and 2. Figure 1 indicates a positive return on the investment for the adult element of JTPA IIa (under-employed adults), JTPA Title III (dislocated workers) and Project Independence (public assistance clients). The JTPA IIa youth program shows a negative return on the investment. This figure uses earnings data for participants who were employed at least 12 weeks, 40 hours per week at minimum wage, or earned at least \$2,040 in that quarter.

Figure 2 indicates a positive return for all of the programs except the JTPA IIa youth program. This data is based on FETPIP information on all participants who were employed for any length of time at any wage level during the fourth quarter of calendar year 1991 or 1993.

The following charts (1-6) show illustrative participant and program level data concerning JTPA Titles IIa (Total) and III and Project Independence. Charts 1 and 2 show that employment and wage increases were consistent among the three programs. Chart 3 illustrates that public assistance dependency was decreased throughout the groups.

Figure 1

COST-CONSEQUENCES ANALYSIS (Return On Investment)

(Full Quarter Employed Earnings)	JTPA IIa	JTPA IIa	JTPA IIa	JTPA III	Project Independence
Expenses	Adults	Youth	Total		
Total Expenditures FY 1992-93	\$40,441,751.00	\$47,803,215.00	\$88,244,966.00	\$22,304,340.00	\$23,353,998.00
Expenditures through Other Public Programs (1)	Not Available	Not Available	Not Available	Not Available	\$19,100,000.00
Total Exitors	15,809	10,332	26,141	5,021	23,643
Cost Per Exiter	\$2,558.15	\$4,626.71	\$3,375.73	\$4,442.21	\$1,795.63
Pre-Program Dependency Cost					
Total Public Assistance Recipients	6,342	4,722	11,064	635	15,520
AFDC + Food Stamps (Annualized) Per Recipient	\$3,964.00	\$4,340.00	\$4,124.00	\$3,560.00	\$4,920.00
Total AFDC + Food Stamps	\$25,139,688.00	\$20,493,480.00	\$45,627,936.00	\$2,260,600.00	\$76,358,400.00
Medicaid (Annualized) per AFDC Recipient	\$4,344.00	\$4,344.00	\$4,344.00	\$4,344.00	\$4,344.00
Total Medicaid (2)	\$14,222,256.00	\$12,154,512.00	\$26,376,768.00	\$5,781,864.00	\$52,093,248.00
Total Cost	\$39,361,944.00	\$32,647,992.00	\$72,004,704.00	\$8,042,464.00	\$128,451,648.00
Earnings (3)					
Number of Participants Employed Pre-Program	1,870	307	2,177	1,345	2,622
Pre-Program Estimated Earnings Per Employed Participant (1 Quarter)	\$3,500.00	\$3,084.00	\$3,442.00	\$5,328.00	\$3,498.00
Annualized Pre-Program Earnings Per Employed Participant	\$14,000.00	\$12,336.00	\$13,768.00	\$21,312.00	\$13,992.00
Total Pre-Program Earnings	\$26,180,000.00	\$3,787,152.00	\$29,972,936.00	\$28,664,640.00	\$36,687,024.00
Number of Participants Employed Post-Program	5,087	1,660	6,747	2,433	6,427
Post-Program Estimated Earnings Per Employed Participant (1 Quarter)	\$3,926.00	\$3,370.00	\$3,789.00	\$5,054.00	\$3,510.00
Total Earnings (Annualized) Estimated FFY 94	\$15,704.00	\$13,480.00	\$15,156.00	\$20,216.00	\$14,040.00
Total Post-Program Earnings (includes employee FICA contribution)	\$79,886,248.00	\$22,376,800.00	\$102,257,532.00	\$49,185,528.00	\$90,235,080.00
Post-Program Dependency Avoidance					
# Reported Through AFDC and Food Stamp Match (4th Quarter CY 93)					
Total Public Assistance Recipients	4,805	2,796	7,601	402	14,423
AFDC + Food Stamps (Annualized) Per Recipient	\$3,588.00	\$3,852.00	\$3,684.00	\$3,876.00	\$4,624.00
Total AFDC + Food Stamps	\$17,240,340.00	\$10,770,192.00	\$28,002,084.00	\$1,558,152.00	\$66,691,952.00
Medicaid (Annualized) Per AFDC Recipient	\$4,344.00	\$4,344.00	\$4,344.00	\$4,344.00	\$4,344.00
Total Medicaid (2)	\$10,373,472.00	\$8,105,904.00	\$18,479,376.00	\$5,999,064.00	\$45,868,296.00
Total Cost	\$27,613,812.00	\$18,876,096.00	\$46,481,460.00	\$7,557,216.00	\$112,560,248.00
Public Assistance Cost Avoidance	\$11,748,132.00	\$13,771,896.00	\$25,523,244.00	\$485,248.00	\$15,891,400.00
Program Impact on Earnings					
Increased Earnings	\$53,706,248.00	\$18,589,648.00	\$72,284,596.00	\$20,520,888.00	\$53,548,056.00
Employer Tax Revenue Generated (7.65%) (4)					
FICA Estimated from Increased Earnings [Post-Program (MINUS) Pre-Program]	\$4,108,527.97	\$1,422,108.07	\$5,529,771.59	\$1,569,847.93	\$4,096,426.28
For Every Dollar Invested, the following is returned	\$1.72	\$0.71	\$1.17	\$1.01	\$1.73

Notes:

(1) HRS estimate of Project Independence expenditures under subsidized child care program. Unemployment Compensation benefits are not included in this model.

(2) Medicaid costs are based on \$362 per month (current state employee health insurance cost) for AFDC recipients. The number of Food Stamp recipients who do not receive AFDC and are Medicaid eligible is unknown.

(3) Post program earnings based on FETPIP data as Full Quarter employed (at least 12 weeks worked, 40 hours per week and at least at minimum wage, or at least \$2040 in wages) during the 4th Quarters of CY 1991 and 1993.

(4) Employee generated FICA taxes included in earnings.

Source: Florida TaxWatch and FSU CNAP, August 1995

Figure 2

COST-CONSEQUENCES ANALYSIS (Return On Investment)

(All Individuals Employed Earnings)	JTPA IIa Adults	JTPA IIa Youth	JTPA IIa Total	JTPA III	Project Independence
Expenses					
Total Expenditures FY 1992-93	\$40,441,751.00	\$47,803,215.00	\$88,244,966.00	\$22,304,340.00	\$23,353,998.00
Expenditures through Other Public Programs (1)	Not Available	Not Available	Not Available	Not Available	\$19,100,000.00
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Medicaid (Annualized) per AFDC Recipient	\$4,344.00	\$4,344.00	\$4,344.00	\$4,344.00	\$4,344.00
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Total Cost	\$39,361,944.00	\$32,647,992.00	\$72,004,704.00	\$8,042,464.00	\$128,451,648.00
Earnings (3)					
Number of Participants Employed Pre-Program	6,107	2,524	8,631	2,647	9,260
Pre-Program Estimated Earnings Per Employed Participant (1 Quarter)	\$1,168.00	\$551.00	\$958.00	\$2,835.00	\$1,117.00
Annualized Pre-Program Earnings Per Employed Participant	\$4,672.00	\$2,204.00	\$3,832.00	\$11,340.00	\$4,468.00
Total Pre-Program Earnings	\$28,531,904.00	\$5,562,896.00	\$33,073,992.00	\$30,016,980.00	\$41,373,680.00
Number of Participants Employed Post-Program	9,598	4,949	14,547	3,520	14,579
Post-Program Estimated Earnings Per Employed Participant (1 Quarter)	\$2,759.00	\$1,810.00	\$2,436.00	\$4,179.00	\$2,251.00
Total Earnings (Annualized) Estimated FFY 94	\$11,036.00	\$7,240.00	\$9,744.00	\$16,716.00	\$9,004.00
Total Post-Program Earnings (includes employee FICA contribution)	\$105,923,528.00	\$35,830,760.00	\$141,745,968.00	\$58,840,320.00	\$131,269,316.00
Post-Program Dependency Avoidance					
# Reported Through AFDC and Food Stamp Match (4th Quarter CY 93)					
Total Public Assistance Recipients	4,805	2,796	7,601	402	14,423
AFDC + Food Stamps (Annualized) Per Recipient	\$3,588.00	\$3,852.00	\$3,684.00	\$3,876.00	\$4,624.00
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Public Assistance Cost Avoidance	\$11,748,132.00	\$13,771,896.00	\$25,523,244.00	\$485,248.00	\$15,891,400.00
Program Impact on Earnings					
Increased Earnings	\$77,391,624.00	\$30,267,864.00	\$108,671,976.00	\$28,823,340.00	\$89,895,636.00
Employer Tax Revenue Generated (7.65%) (4)					
FICA Estimated from Increased Earnings (Post-Program (MINUS) Pre-Program)	\$5,920,459.24	\$2,315,491.60	\$8,313,406.16	\$2,204,985.51	\$6,877,016.15
For Every Dollar Invested, the following is returned	\$2.35	\$0.97	\$1.61	\$1.41	\$2.65

Notes:

- (1) HRS estimate of Project Independence expenditures under subsidized child care program. Unemployment Compensation benefits are not included in this model.
- (2) Medicaid costs are based on \$362 per month (current state employee health insurance cost) for AFDC recipients. The number of Food Stamp recipients who do not receive AFDC and are Medicaid eligible is unknown.
- (3) Post program earnings based on FETPIP data as all employed participants (all hours and wages) during the 4th Quarters of CY 1991 and 1993.
- (4) Employee generated FICA taxes included in earnings.

Source: Florida TaxWatch and FSU CNAP, August 1995

COST-CONSEQUENCES SUMMARY

Chart 1

Employment Increases		
Ila	III	PI
209.92%	80.89%	145.12%

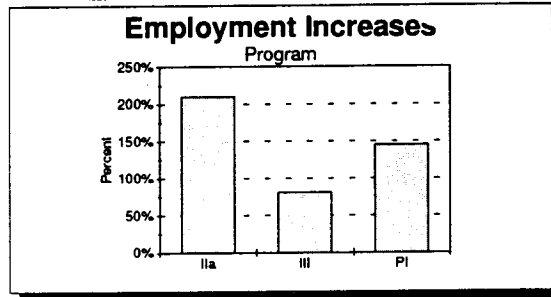


Chart 2

Employment Wage Increases		
Ila	III	PI
241.17%	71.59%	145.96%

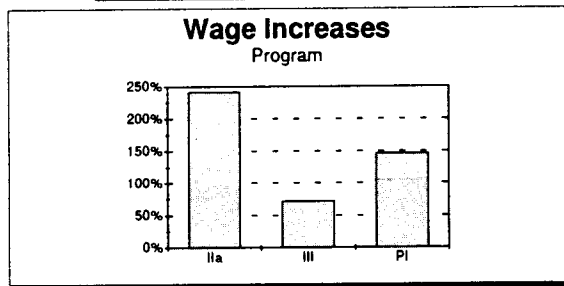
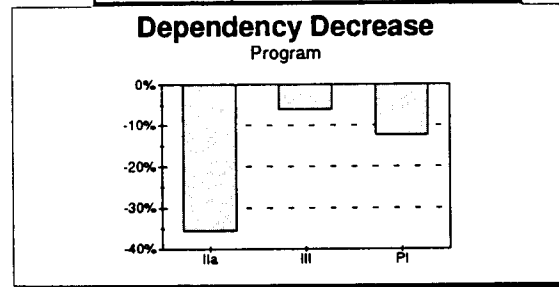


Chart 3

Dependency Decrease		
Ila	III	PI
-35.45%	-6.03%	-12.37%



Source: Florida TaxWatch and FSU CNAP, August 1995

COST-CONSEQUENCES SUMMARY

Chart 4

Average Wage Increase		
Ila	III	PI
10.08%	-5.14%	0.34%

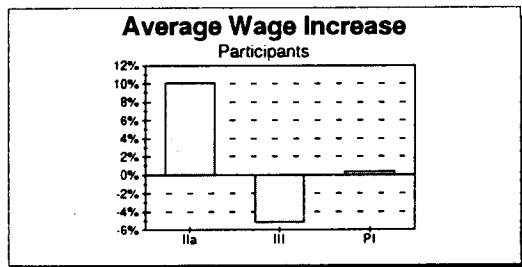


Chart 5

Average Decrease in Public Dependency/Benefits		
Ila	III	PI
-10.67%	8.88%	-6.02%

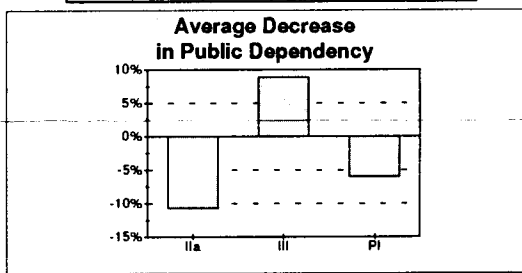
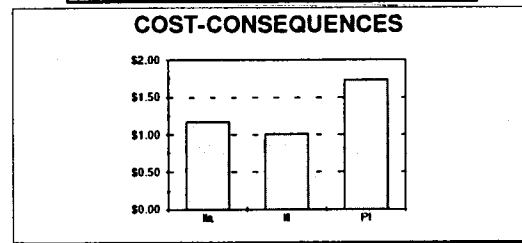


Chart 6

Cost-Consequences		
Ila	III	PI
\$1.17	\$1.01	\$1.73



Source: Florida TaxWatch and FSU CNAP, August 1995

According to participant data, JTPA Title IIa (Total) average wages increased by over 10%. Project Independence showed a minor increase of .34% and Title III of JTPA showed a decrease of 5.1%. Public Dependency was decreased for Title IIa (Total) and Project Independence participants, while Title III participants had an increased public dependency.

The final chart (Chart 6) shows the differences in return on investment among the three programs. It should be noted that the Title IIa Adult program showed a return almost equal to that of Project Independence (\$1.72 for IIa Adults and \$1.73 for Project Independence), while Title III showed only a slight increase. These charts are based on Figure 1a in Deliverable III.

It should be noted that inclusion of information on other governmental program investments will affect these findings. These investments include expenditures for educational and vocational services appropriated in the Department of Education budget and unemployment compensation benefit data important in JTPA Title III. For example, current investments in JTPA, as examined in this preliminary study, reflect the cost of tuition and fees which of course do not represent the full cost of educational and

vocational investments for JTPA or Project Independence.

When additional data necessary for the full application of the cost-consequences analysis is available, additional assessments should be conducted to determine potential opportunities to improve the return on the investment. For instance, specific program components and discrete categories of participants should be analyzed. Such refinements will help identify differences in return among the various program components and in accordance with participant groupings. Also, future analyses could consider "opportunity costs" -- the possible social benefit returns from the same dollars invested elsewhere.

The research team also found that the model developed is applicable (with minor modifications) to other workforce development programs such as Adult Vocational Education, District Secondary and Post Secondary Vocational Education Programs; Community College Programs; Adult Migrant Education Programs and the Corrections Education School Authority. These programs could be greatly enhanced by making an internal assessment of participant data to improve their working structure and their returns to both participants and taxpayers.

This report was researched and written by John Hall, Senior Research Analyst, Daniel E. Sprague, Research Analyst and Ryan Watkins, Research Intern, under the direction of Dr. Neil S. Crispo, Senior Vice President, Research and Operations, with assistance and contributions by Roger Kaufman, Ph.D., Professor and Director, and Leon Sims, Ed.D., Center for Needs Assessment and Planning, Florida State University. Catherine M. Haagenson, Communications Director; Gable Ablett, Publications Assistant

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In recent years, news stories about Florida TaxWatch have run in all Florida newspapers, *The Wall Street Journal*, *The New York Times* and *The Washington Post*. In addition, Florida TaxWatch has been featured on the prestigious *MacNeil/Lehrer Newshour* and several times in *The Wall Street Journal*.

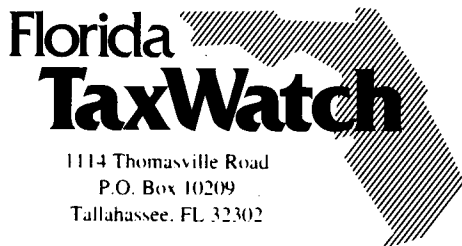
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Florida TaxWatch is supported by all types of taxpayers -- homeowners, small businesses, large corporations, professional firms, labor unions, associations, individuals and philanthropic foundations -- representing a wide spectrum of Florida's citizens.

Florida TaxWatch is well known and respected for its empirically sound research products which recommend productivity enhancements and explain statewide impact of economic and tax and spend policies and practices. Without lobbying, Florida TaxWatch has worked diligently and effectively to build government efficiency and promote responsible, cost-effective improvements that add value and benefit taxpayers. This diligence has yielded impressive results: three out of four of TaxWatch's cost-saving recommendations have been implemented, saving taxpayers \$2.5 billion. That translates to nearly \$350 for every Florida family.

With your help, we will continue our diligence to make certain your tax investments are fair and beneficial to you, the taxpaying customer who supports Florida's government. Florida TaxWatch is ever present to ensure that taxes are equitable, not excessive, that their public benefits and costs are weighed, and that government agencies are more responsive and productive in their use of public funds.

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