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MINNESOTA DEPARTMENT OF

*Children,
Families &
Learning*

**Job
Training
Program
Credit**

**Report to the
Legislature**

**As required by
Minnesota
Statute 290.0673**

HD
5715.3
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J63
2001

— Minn. Stat. 290.0673 —

— 1997 Minn. Laws Chap. 231 —
Art. 5 Sec. 8 Subd. 4

**COMMISSIONER:
CHRISTINE JAX, Ph.D.**

**Job
Training
Program
Credit**

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**Report to the
Legislature**

January, 2001

**As required by
Minnesota
Statute 290.0673**

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INFORMATION SUMMARY AND REPORT COST

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The Job Training Program Credit law (M.S. 290.0673) was passed by the 1997 Legislature. Under this law tax credits are awarded to businesses that employ workers who graduate from job training programs that are certified by the Commissioner of Children, Families & Learning. To date, only one training program has sought and attained this certification, Twin Cities RISE!.

The mission of Twin Cities RISE! is to enable economically disadvantaged adults to escape poverty by qualifying for a living wage job that meets employers' economic needs. Results from the program indicate considerable success on an array of indicators such as wages, placement in jobs, decreases in public subsidies, and other important benefits.

The text of this report is a copy of the Twin Cities RISE! report to the Commissioner of Children, Families & Learning, as required in statute.. All reporting requirements of the legislation are contained in the report.

A report to the legislature must contain the cost of preparing the report, including any costs incurred by another agency or another level of government. This report provides information which the Department of Children, Families & Learning already collects as part of its statutorily required assignments. Therefore, the cost of gathering the data is limited to the estimated cost of actually preparing this document:

| | |
|----------------------------------|-----------------|
| CFL Personnel Report Preparation | \$ 900 |
| Printing - 145 copies | <u>\$ 700</u> |
| TOTAL | \$ 1,600 |

Twin Cities RISE!

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**Report to the Minnesota Department of
Children, Families and Learning**

**On the use of the Tax Credit
required by Minnesota Statue 290.0673 Subd.4.c**

Submitted by: Twin Cities RISE!
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Contact Person: Steve Rothschild, President and CEO

Date Submitted: January 5, 2001

I. SUMMARY

Background

The Tax Credit legislation was passed by the Minnesota Legislature in 1997. The purpose of the legislation was to test a new financing approach to workforce development which would deal with the three historic issues plaguing workforce development programs for low-income adults: 1) investing sufficiently in the hardest-to-employ so that they can develop the skills needed to ladder out of poverty; 2) providing employers with new sources of skilled labor to fill positions that are currently going unfilled or that experience high levels of turnover; and 3) providing the state with a cost-effective return to its investment.

This report summarizes the experience of Twin Cities RISE! with the tax credit legislation from 1997 – 2000. Please refer to attached tables for more detailed information on placements whom qualified for the Tax Credit.

Findings

1. Twin Cities RISE! has been successful in laddering low-income adults out of poverty:

- ◆ Research indicates that 77% of the 205 active participants(158 participants) from 1997 – 2000 who are no longer in the program are considered “positive terminations”¹ because they were placed by TCR!, or they increased their incomes after being in the program.
- ◆ 60% of the 205 active participants, or 123 participants, have attained jobs at or above the target salary of \$20,000 with benefits based on findings from preliminary research. This includes both participants who graduate into final placement positions and participants who complete only part of the program. (95 participants remain active as of 1/4/00).
- ◆ TCR! has placed 39% of the 205 active participants, or 80 graduates, into final placement jobs from 1997 through the year 2000. The average salary at placement is \$23,000 and the average increase in earned income from program start to placement is 140%. 50 of the 80 placements qualified for the Tax Credit.
- ◆ Graduates are retained in living wage jobs as well. Six-month labor market retention in comparable jobs is about 90%; one year labor market retention is about 83%.
- ◆ The average income increase for all 205 active participants was 25% while in the program, whether they completed it or not.

2. TCR! has been successful at providing a new source of skilled labor for employers:

- ◆ Participants with multiple barriers to employment are getting skilled jobs that pay living wages in bookkeeping, administrative support, customer service, technical computer support, and financial services. Barriers to employment include an average basic skill

¹ This definition is adapted from the definition used by the JTPA.

level at the 8th grade upon entry; over 50% of the population has a criminal background and/or a history of chemical dependency; and all participants are low-income adults who have been out of the labor market completely or have been stuck in low-paying dead-end jobs.

- ◆ 40 customer companies large and small have paid TCR! training and development fees that total \$690,176 for 66 paid placements, indicating the value they receive from hiring skilled employees. The Tax Credit reimbursed 68% of the fees paid by companies, or a total of \$469,660.
- ◆ The number of graduates doubled in the year 2000 compared with the numbers in 1999, demonstrating the increasing demand for training services.

3. The return on investment exceeds the original estimates made by the Minnesota Department of Planning on which the legislation is based:

- ◆ The State of Minnesota's present value benefit for its investment is \$1,350,000 for 50 graduates who qualified for the Tax Credit. This estimate is based on the study completed by the Minnesota Planning Department that estimated the State would gain a present value of \$27,000 per graduate as a result of the long-term benefits related to placement and retention into jobs that pay \$20,000 per year.
- ◆ TCR! graduates have experienced on average an income increase of \$13,500 from program start to placement, which is greater than the \$10,000 assumed in the study.
- ◆ The cost to the State from 1997 through 2000 has been only \$9,393 per graduate that qualified for the Tax Credit, or \$469,660 for 50 graduates. This is less than the cost of other equally intensive and successful programs like the Job Corp, which cost around \$20,000 per graduate, and Community and Technical Colleges that are partially funded by the state.
- ◆ The State pays 30% of the total program cost per graduate (costs related to participants who don't graduate are accounted for in this estimate). Fees from employers and philanthropy cover the rest of the cost.

4. There are opportunities to improve the State's benefits by making modest modifications to current legislation:

TCR! recommends that specific changes be made to the legislation to increase the number of qualifying economically poor individuals, increase the number of employers that qualify, and increase the number of training organizations that can participate. All of these changes would help the State increase its impact on poverty and increase the number of skilled workers. Specific changes include increasing the qualifying income of individuals from \$15,000 to \$20,000 per year; including S corporations and partnerships in the legislation so that they can participate; add additional tax credit monies; and extend the legislation for another 5 years.

Twin Cities RISE! has used \$469,660 of the total \$1.2 million in credits available under the legislation. We expect to commit the remaining funds in 2001 with the aforementioned legislative changes.

II. ABOUT TWIN CITIES RISE!

Twin Cities RISE! (TCR!) is an anti-poverty program. It provides job training to low-income adults with multiple barriers to employment and places them for an employer-paid fee in skilled, entry-level positions that pay a living wage of at least \$20,000 per year. A portion of the fee paid by employers is reimbursed by the State of Minnesota via a tax credit. TCR!'s ultimate objective is to establish a new, market-driven approach to job preparation and long-term job retention that will be financially sustainable through outcomes-oriented fees from employers and government, have a meaningful impact on concentrated poverty, and influence industry practice and government policy.

The fee-driven model is unique nationally. It provides the program with a substantial source of income from employers, who benefit from getting skilled, entry-level employees, so that it does not have to rely solely on public and philanthropic sources of income. It also means that the program is accountable to employers and the market, which guarantees that participants receive high quality training that will result in real, well-paying jobs.

TCR! began as a small, pre-pilot program in early 1995 with 19 participants; we will serve approximately 300 participants in 2000. We project to serve over 600 by 2003 as demand from both the economically poor and employers continue to increase.

Target Population

TCR! works with people of color who are low-income, have a history of un-employment or under-employment, and have limited marketable skills. Participants are predominantly African-American, Chicano-Latino, South East Asian (Vietnamese, Hmong and Laotian), African, and American Indian. Women represent about 30% of the participant population; people of color represent about 90% of the population. Over 50% of our participants have criminal backgrounds and/or have been struggling with chemical dependency, and the average educational level upon entry is at the 8th grade.

Skill Development Model

TCR!'s unique skill development model provides participants with a step-by-step process that allows them to build their skills as they progress through the program. It combines classroom training, off-site technical training as needed, coaching support, on-the-job work experience, and comprehensive supportive services. This comprehensive approach to workskills development provides multiple strategies for "laddering up" from lower paying jobs to skilled jobs that pay a livable wage.

The first stage of the program is called Foundations I and II, a twenty-week period during which time participants spend 15 hours per week learning skills that have been identified as important

to success on the job in the global economy. They include skills in three primary areas: (1) basic education, (2) personal development, and (3) occupational development.

Basic education incorporates training in basic skills such as reading, writing, math and basic computer proficiency, all of which provide a necessary foundation for advanced skills training. Personal development refers to the development of lifeskills, such as time management, self-esteem, responsibility, and self-management; and to the development of other “soft” skills, such as communication, interpersonal and teamwork skills. Employers repeatedly note that it is usually “soft” skills that get entry-level employees into trouble on the job -- not a deficit in technical skills. Occupational development includes career exploration, formal training for a specific job or occupational area in a professional area including accounting, administrative support, and customer service, work experience, and other job-focused development in general.

After completing Foundations skill requirements, participants are ready to move into the Advanced Program. Training and development options now expand to include off-site educational choices and work experience. Most participants continue taking classes at TCR!, including Empowerment for those who want it. TCR! pays tuition and continues other financial and personal support during this period as needed. Once participants are placed with a customer company, they continue to work with a workskills coach up to one year after placement. This continuing support is critical to success on the job and long-term retention.

TCR! is experimenting with educational and employability tests which have the promise of predicting long-term labor market success, providing diagnostics for participant development and establishing data for cost/effectiveness. If successful, these tools could be particularly useful to funders who wish to assess program value over a longer period of time. Together with our other evaluation tools, TCR! is creating a higher standard for program self-improvement and assessment for other training, educational and development programs.

Table 1: Summary of TCR! Placements 1997 - 2000

| | Placed by TCR! | Qualified for Tax Credit |
|--|------------------------------|--|
| Number | 80 | 50 |
| Percentage of Active Participants | 39% | 24% |
| Average Wage at TCR! exit | \$11.19 | \$11.11 |
| Average annual salary at TCR! exit | \$23,000 | \$22,740 |
| Average annual salary at start of TCR! | \$9,500 | \$8,100 |
| Percent increase in income earned from work | 140% | 180% |
| 6 month job retention* | 90% | 90% |
| 12 month job retention | 83% | 83% |
| 24 month job retention | 73% | 73% |
| Cost to State | \$5,871 per graduate | \$9,393 per tax credit qualified graduate |
| Actual Cost to TCR! per Graduate | \$15,393 per graduate | \$15,393 per graduate |

*TCR! measures retention in comparable jobs in the labor market. Any graduates with periods of unemployment that lasted longer than 30 days are not considered retained. This methodology is based on one used by the Annie Casey Foundation.

Table 2: Demographics of 1997 – 2000 Placements:

| Demographics Category | 80 placements | 50 Tax Credit qualified participants |
|------------------------------|------------------------|---|
| AGE | 31 | 31 |
| Gender | 69% Male 31% Female | 56% Male 44% Female |
| Ethnicity: | | |
| African American | 47% | 50% |
| Asian | 18% | 18% |
| Caucasian | 10% | 12% |
| Hispanic | 11% | 8% |
| Other | 10% | 8% |
| Native American | 4% | 4% |