

Schedule 13
Funding Request for the 2014-15 Budget Cycle

Department: Department of Human Services
 Request Title: Continuation of ReHire Colorado
 Priority Number: R-4

Dept. Approval by: *Will By* 10-15-13
 Date
 OSPB Approval by: *Greg N...* 10/20/13
 Date

- Decision Item FY 2014-15
- Base Reduction Item FY 2014-15
- Supplemental FY 2013-14
- Budget Amendment FY 2014-15

Line Item Information		FY 2013-14		FY 2014-15		FY 2015-16
		1	2	3	4	5
	Fund	Appropriation FY 2013-14	Supplemental Request FY 2013-14	Base Request FY 2014-15	Funding Change Request FY 2014-15	Continuation Amount FY 2015-16
Total of All Line Items	Total	2,400,000	0	1,200,000	1,200,000	2,400,000
	FTE	2.0	0.0	1.0	1.0	2.0
	GF	2,400,000	0	1,200,000	1,200,000	2,400,000
	CF	0	0	0	0	0
	RF	0	0	0	0	0
	FF	0	0	0	0	0
	MCF	0	0	0	0	0
	MGF	0	0	0	0	0
	NGF	2,400,000	0	1,200,000	1,200,000	2,400,000
(7) Office of Self Sufficiency, (B) Colorado Works Program, Transitional Jobs Program (ReHire Colorado) [New Line]	Total	2,400,000	0	1,200,000	1,200,000	2,400,000
	FTE	2.0	0.0	1.0	1.0	2.0
	GF	2,400,000	0	1,200,000	1,200,000	2,400,000
	CF	0	0	0	0	0
	RF	0	0	0	0	0
	FF	0	0	0	0	0
	MCF	0	0	0	0	0
	MGF	0	0	0	0	0
	NGF	2,400,000	0	1,200,000	1,200,000	2,400,000

Letternote Text Revision Required? Yes: No: If yes, describe the Letternote Text Revision:

Cash or Federal Fund Name and COFRS Fund Number: N/A
 Reappropriated Funds Source, by Department and Line Item Name: N/A
 Approval by OIT? Yes: No: Not Required:
 Schedule 13s from Affected Departments: N/A
 Other Information: N/A

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Cost and FTE

- The Department is requesting \$1.2 million General Fund and 1.0 FTE in FY 2014-15 to extend the ReHire Colorado program; the request annualizes to \$2.4 million General Fund and 2.0 FTE in FY 2015-16 and beyond. This represents a 100% increase to the line item for FY 2014-15.

Current Program

- The Colorado Careers Act (HB 13-1004) aims to address stubborn unemployment, small employers' challenges, stagnant local economies, and barriers faced by long-term unemployed individuals through the ReHire Colorado program.
- ReHire Colorado is a statewide transitional jobs program administered by the Department of Human Services and implemented by local agency contractors and employers. It targets un- and under-employed veterans, non-custodial parents, and persons more than 50 years old for rapid attachment to employment and modest supportive services. It is currently funded at \$2.4 million in FY 2013-14 and \$1.2 million for the first half of FY 2014-15.
- This program is new to Colorado, and is currently in a start-up phase. It is loosely modeled after the successful Hire Colorado project that was funded by American Recovery and Reinvestment Act of 2009 (ARRA) Temporary Assistance for Needy Families (TANF) funds. In about a year's time, the project served nearly 2,000 participants. The Hire Colorado project ended in FY 2009-10.

Problem or Opportunity

- The Colorado Careers Act only funds the ReHire Colorado program through the first half of FY 2014-15. This request is to extend the program beyond December 31, 2014.
- A September 2013 study by Elliott & Roder evaluated the value for both participants and employers of five subsidized employment programs in four different states (Mississippi, Florida, Wisconsin, and California). The programs were funded with ARRA monies. Findings show that workers experienced increased employment and earnings, even after the subsidized jobs ended. Employers reported that the program created jobs that would not have existed otherwise, saw benefits to their bottom line, and were eager to participate in similar programs again.

Consequences of Problem

- Without additional funding, the transitional jobs program will expire December 31, 2014 and no additional participants will be served.

Proposed Solution

- This request is for funding to extend ReHire Colorado. For FY 2014-15, it includes extension funding (\$1.2 million General Fund) for the second half of the fiscal year. The out-year request supports extending funding and services through FY 2016-17. By continuing to have the resources to provide subsidized employment to the targeted un- and under-employed individuals, the program will be able to transition approximately 300 individuals per year into unsubsidized jobs.

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State of Colorado
Department of Human Services
FY 2014-15 Funding Request
November 1, 2013

John W. Hickenlooper
Governor

Reggie Bicha
Executive Director

Department Priority: R-4

Request Detail: Continuation of ReHire Colorado

Summary of Incremental Funding Change for FY 2014-15	Total Funds	General Fund	FTE
Funding to Continue ReHire Colorado	\$1,200,000	\$1,200,000	1.0

Request Summary:

The Department is requesting \$1,200,000 General Fund and 1.0 FTE in FY 2014-15, and \$2,400,000 General Fund and 2.0 FTE in FY 2015-16 and beyond related to the passage of H.B. 13-1004, the Colorado Careers Act of 2013. The Colorado Careers Act currently funds the ReHire Colorado program through the first half of FY 2014-15. This request extends the program beyond its current end date of December 31, 2014.

Problem or Opportunity:

The Colorado Careers Act of 2013 established a transitional jobs program known as ReHire Colorado. The goals of the program are to stabilize individuals and families with earned income, stimulate local economies through paid wages, and contribute to the economic health of employers. These goals are accomplished via subsidized paid employment to un- and under-employed Coloradoans, with priority given to non-custodial parents, workers over 50 years old, and veterans. These subsidized positions will help mitigate barriers to work that historically keep these vulnerable groups out of the labor market.

The Colorado Department of Labor and Employment shows that Colorado continues to suffer from high unemployment of 7.1%, which is especially high among less-skilled and lower-educated workers. People with little or no work experience often lack basic skills, a high school degree, transportation, or workplace and social skills; they may also have a criminal record, a disability, or be experiencing homelessness. All of these barriers make obtaining and keeping a job difficult. A transitional jobs program is an employment strategy that seeks to transition people with labor market barriers into work using wage-paid, short-term employment that combines real work, skills development, and supportive services. At the same time, it's a strategy that supports employers, encouraging and promoting job creation.

The three priority groups outlined in the Act:

- Non-custodial Parents: More than 60,000 non-custodial parents enrolled in the Child Support Enforcement program are unemployed, and an unknown number are under-employed. This contributes to an inability to pay child support orders¹.
- Workers over 50: Older workers who lose employment tend to remain unemployed longer than do younger workers. According to the Bureau of Labor Statistics, 49% of workers over age 55 have been unemployed for longer than 27 weeks. That figure is just over 41% for workers aged 25 to 54².
- Veterans: The unemployment rate for veterans younger than 29 years old continues to be much higher than the rate for non-veterans in that age range. Older veterans also struggle to find work³.

This Act supports the Department's strategic goals to "Improve the lives of Colorado families in need by helping them to achieve economic security" and to "Ensure Colorado's children and youth have the opportunity to thrive in safe, nurturing and stable families." This request links to several of the Department's established performance measures: employment attainment and retention; collecting current child support; and collecting child support in arrears.

Proposed Solution:

This request extends ReHire Colorado beyond December 31, 2014. Current funding supports 2.0 FTE to start the program and serve about 475 participants between July 1, 2013 and December 31, 2014. The request would continue funding for the same 2.0 FTE and to serve about 300 new participants annually.

FY 2014-15 - \$1,200,000 General Fund and 1.0 FTE*

FY 2015-16 and beyond - \$2,400,000 General Fund and 2.0 FTE*

**FTE listed are not new, but are continuing the two originally appropriated.*

The 2.0 FTE will be responsible for developing, implementing, and managing the program, which includes but is not limited to the following tasks:

- Develop the Request for Proposals for the various employer and intermediary contractors and oversee the selection process; and develop, manage, and monitor contracts. These are ongoing tasks that will occur with each new award cycle, not just at start-up.
- Conduct outreach to potential partner organizations and program participants.
- Establish and maintain communication among statewide workers in the various systems impacted such as Colorado Works, Child Support Services, and Workforce Centers.
- Develop and provide training and technical assistance to both ensure fidelity in program implementation and build capacity around the state.
- Oversee evaluation efforts.

¹ From an internal ad-hoc report using the "employer of record" field to project employment.

² <http://www.bls.gov/opub/ils/pdf/opbils81.pdf>

³ <http://www.bls.gov/news.release/empsit.t05.htm>

Transitional Jobs (TJ) are a type of subsidized employment that combine subsidized wage with work supports and job development aimed at long-term placement. TJ programs aim to help the most disadvantaged workers who would likely not be working without the program. Programs work to eliminate barriers to employment and increase the likelihood that participants will secure unsubsidized, permanent employment. They have been shown to reduce of the need for public benefits and prevent re-incarceration. Steady employment increases child support payments among non-resident parents. Seventy-five percent of the participants in Hire Colorado, the temporarily-funded program that inspired ReHire, secured unsubsidized employment upon completing their Hire Colorado position (internal analysis using Unemployment Insurance wage data). Though Hire Colorado wasn't a transitional jobs program per se, its results suggest great promise in a subsidized wage strategy.

In addition, Transitional Jobs benefit communities and employers by developing skilled local workers. Employer involvement ensures that skills gained are in fact needed and useful to the industry/occupation. The subsidized wage allows for employers to create jobs and even save other jobs from being eliminated. Employers involved in Hire Colorado reported that the program both created subsidized jobs and saved unsubsidized jobs through the short-term subsidy.

The National Transitional Jobs Network suggests that Transitional Jobs programs can yield cost savings for states. A study by The Fiscal Policy Institute (2008) estimated that New York state saved \$106 million over three years by serving longtime public assistance recipients and the formerly incarcerated through TJ programs; this savings figure accounts for the state's initial \$47 million investment.⁴

A study by the Economic Mobility Corporation (Elliott & Roder, September 2013) estimated the value for both participants and employers of five subsidized employment programs in four different states (Mississippi, Florida, Wisconsin, and California).⁵ Findings show that workers experienced increased employment and earnings, even after the subsidized jobs ended. Employers reported that the program created jobs that would not have existed otherwise, they saw benefits to their bottom line, and they were eager to participate in similar programs again.

Though initially costly, Transitional Jobs programs have long-term benefits for employees, their dependents, employers, and communities.

Anticipated Outcomes:

The Division of Colorado Works, which operates ReHire Colorado, is designed to assist participants to terminate their dependence on government benefits by promoting employment, job preparation, strong families, and healthy relationships. By assisting people with specific barriers to employment, ReHire Colorado aims to reduce reliance on government assistance while increasing participant earnings and providing benefits to employers, and to local and state economies.

⁴ Renwick, T. (2008). Transitional Jobs return on Investment study. New York: Fiscal Policy Institute.

⁵ <http://economicmobilitycorp.org/uploads/stimulating-opportunity-full-report.pdf>

ReHire Colorado will recruit 300 participants annually, placing 285 (95%) in transitional jobs. These jobs will provide earned income, work history, skills, and references to help formerly unemployed participants acquire and maintain subsidized employment. Based on the experiences of similar programs in other states, at least half of all recruited participants (150) will enter unsubsidized employment during or after the transitional work period, or within 12 weeks following completion⁶. Of those who gain employment, 85% will retain employment after six months, and 75% after 12 months. This is based on internal analysis of the long-term employment outcomes for TANF participants.

The Department expects household income for participating families to increase from time of entry into the program to time of exit. Additionally, it expects participants to experience meaningful increases in wages over 24 months after moving into unsubsidized employment. With more parents working, more families will qualify for the Earned Income Tax Credit, further boosting their income. Increased income will lead to a reduction in the number of TANF recipients and the amount of TANF payments to ReHire participants, minimizing their reliance on public assistance. Increased income among non-custodial parent participants will also lead to increased child support payments to those children's households.

In addition to participant outcomes, economic and employer outcomes will also improve as a result of ReHire Colorado. This program will increase the number of jobs in the state while allowing small- and medium-sized employers to increase their staff at a lower cost to increase productivity, quality of work, and the number of customers they are able to serve. The number of participating businesses taking advantage of these opportunities will increase each year. Participants gaining paid employment will add to the tax base by spending their earnings on goods and services in their communities, strengthening the local economy.

Assumptions and Calculations:

The funding for this request will be General Fund to supplement the funds appropriated in the Colorado Careers Act. Attachment A details the cost estimates for the funding request.

State administrative costs, which include personal services for 2.0 FTE, operating and capital outlay, travel, program evaluation, and printing, communications and outreach, are projected at \$163,525 annually (Attachment A – Line Total Overhead/State Admin). Program evaluation costs are based on actual costs of similar evaluations.

Program costs are estimated at \$7,075 per participant (Attachment A – Line Total Services Costs), which includes:

- \$600 Local Agency Contractor administrative and case management expenses
- \$1,200 Supportive services directly related to employment such as transportation assistance, fees associated with certifications or licenses, work uniforms, training courses, etc.

⁶ <http://www.heartlandalliance.org/ntjn/>

\$5,275 Average wage subsidy based on minimum wage plus \$1.00 to cover worker's compensation and unemployment insurance costs, times 30 hours per week for 20 weeks.

Technical assistance costs of \$22,000 per year are calculated at 2% of program costs. This is based on the recommendation of from the National Transitional Jobs Network's implementation experts. In order to implement the TJ strategy statewide, the Department will need to build capacity among organizations that may have some, but not all of the elements for successful implementation. If TJ is to become a key part of getting Coloradoans back to work, and a key part of how Colorado does business in the future, then it is essential to make the investment and build capacity within the field. Funds will support this capacity-building by facilitating peer learning and sharing of local expertise, bringing in outside expertise when needed, and developing training and materials.

Attachment A
 FY 2014-15 Change Request, Priority: R-4 Continuation of ReHire Colorado

	FY 2013-14*	FY 2014-15			FY 2015-16	FY 2016-17
		<i>First Half*</i>	<i>Second Half</i>	<i>Total</i>		
<u>Administrative Costs</u>						
Personal Services	\$104,323	\$52,162	\$52,162	\$104,324	\$104,324	\$104,324
FTE	2.0	1.0	1.0	2.0	2.0	2.0
Operating Expenses & Capital Outlay	\$11,306	\$950	\$950	\$1,900	\$1,900	\$1,900
Travel	\$2,650	\$6,000	\$5,000	\$11,000	\$11,000	\$11,000
Program Evaluation	\$33,333	\$20,000	\$20,000	\$40,000	\$40,000	\$40,000
Printing, Communications, & Outreach	\$6,736	\$3,038	\$3,263	\$6,301	\$6,301	\$6,301
Total Overhead/State Admin	\$158,348	\$82,150	\$81,375	\$163,525	\$163,525	\$163,525
<u>Program Costs</u>						
Supportive Services & Admin costs (\$1,800/person)	\$366,000	\$284,400	\$279,000	\$563,400	\$563,400	\$563,400
Transitional Employee Wage Subsidies (\$5,275/person)	\$1,875,652	\$833,450	\$817,625	\$1,651,075	\$1,651,075	\$1,651,075
Total Services Costs (\$7,075/person)	\$2,241,652	\$1,117,850	\$1,096,625	\$2,214,475	\$2,214,475	\$2,214,475
Technical Assistance			\$22,000	\$22,000	\$22,000	\$22,000
Total	\$2,400,000	\$1,200,000	\$1,200,000	\$2,400,000	\$2,400,000	\$2,400,000
*Initial Funding outlined in the Act						
<u>Participants</u>						
Total per person cost (\$1,200 + \$600 + \$5,275)	\$7,075	\$7,075	\$7,075	\$7,075	\$7,075	\$7,075
Total Number of People Served	317	158	155	313	313	313