Investing in What Works Series:

State Options for Using American Rescue Plan To Scale Evidence-Based Workforce Solutions

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Policymakers can leverage American Rescue Plan (ARPA) funds to address their most immediate workforce challenges, while also equipping workers with the skills needed to thrive in high-demand fields. To date, about half the states have allocated funds to workforce development programs to bolster worker skills and reemploy workers, according to NCSL tracking. By using the best available evidence and research to inform these investments, policymakers can ensure federal funding is invested in the programs that are most likely to achieve positive results for workers and state economies, such as better earnings or reduced unemployment insurance claims.

Federal ARP guidance encourages states, territories and other jurisdictions to invest funds in evidence-based programs and practices, and allows states to use these time-limited funds for discrete costs, such as data analysis and collection, program evaluations, and improvements to data and technology infrastructure. As the first in a series, this brief outlines the law's provisions relating to evidence-based policymaking and highlights state approaches and options for ensuring that these time-limited funds achieve long-term results.

The American Rescue Plan and Evidence-Based Policymaking

In December 2021, the nation's unemployment rate, at 3.9%, had decreased 2.8 points from the prior year. Despite the downward trend, national unemployment levels remained above pre-pandemic levels going into 2022, with variation across and within states, and some states slower to recover than others.

What's more, job openings have increased in several industries, including hospitality and food services, nondurable goods manufacturing, and education. According to the U.S. Bureau of Labor Statistics, the labor force participation rate in December 2021, at 61.9%, remains 1.5 percentage points above its February 2020 levels. A wave

About This Series

This is the first in a series of three reports from NCSL to explore options for states to use American Rescue Plan Act funds to build a strong workforce. As described in this series, many states are prioritizing workforce development initiatives and strategically investing these time-limited resources for long-term impact. The series explores options for using ARPA funds to:

- Scale evidence-based workforce development solutions (Brief 1).
- Evaluate workforce development programs and pilot projects (Brief 2).
- Partner to enhance workforce data and evaluation capacity (Brief 3).

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How Evidence Can Guide Budget and Policy Decisions

State leaders make policy and budget decisions in areas such as public safety, health and well-being, transportation and educational attainment that directly affect their residents. Policymakers in many states look to the best available research and data to guide their decisions and ensure the greatest impact.

This approach, called evidence-based policymaking, can help officials from all branches of government strategically invest resources in effective programs and policies, encourage innovation, improve transparency in budgeting, and build and sustain a culture of continuous learning and improvement.

See NCSL's 2020 issue brief, "The ABCs of Evidence-Informed Policymaking," for additional detail about how states are using evidence to guide policy and budget decisions.

of pandemic-related retirements and worker shortages, especially in certain sectors and regions, are compounding the challenges many states are facing.

States can use ARP funds to address these challenges. The American Rescue Plan Act of 2021 established the Coronavirus State and Local Fiscal Recovery Funds program. States and the District of Columbia will receive $195.3 billion, and territories $4.5 billion, to cover increased expenditures, replenish lost revenue and reduce negative economic impacts associated with the pandemic.

States, territories and other jurisdictions have broad discretion over how to spend federal recovery funds. The U.S. Department of Treasury outlined requirements and opportunities related to evidence-based policymaking in their January 2022 final rule, which goes into effect April 1, 2022, and in the department's earlier Compliance and Reporting Guidance. For example, the Treasury department requires jurisdictions receiving these funds to report if they use funds for evidence-based interventions or for rigorous program evaluations.

Federal guidance defines evidence-based programs as those interventions with strong or moderate levels of supporting research. Strong evidence indicates that an intervention has been found, through well-designed experimental studies, to cause positive outcomes (see Appendix 2 of this guidance for definitions of evidence-based policies and programs). The strongest evidence is generated using the most rigorous research methods, known as randomized controlled trials, or RCTs, when the results have been replicated (e.g., confirmed with similar results in different locations). The "gold standard" research method, an RCT randomly assigns some individuals to a treatment group that is offered an intervention and others to a control group that is not, and then compares outcomes for both groups. If meaningful differences are observed between the two groups, policymakers can be confident that the intervention caused the result. This method demonstrates that the intervention caused a specific result, such as increased employment, higher annual earnings or reduced use of public programs.

States and territories also are required to track how many workers are enrolled in and completed sector-focused job training programs and how many people participated in summer youth employment programs. Sectoral training programs train individuals for employment in specific industries, such as health care, manufacturing and information technology, with strong demand and opportunities for advancement.

Additional information on states' use of ARP funds for evidence-based policymaking is available in this 2021 issue brief from NCSL, The Council of State Governments and The Policy Lab at Brown University.

What Works? Four Workforce Programs with Strong Evidence

So, given the law's provisions relating to evidence-based policies and programs, what types of programs would qualify as evidence-based? This section lists four examples of evidence-based interventions. The examples below may not be available in every jurisdiction, or provide the best solution given a state's unique needs, but they are included to illustrate the existence of programs that have been demonstrated, in rigorous research studies, to meaningfully improve outcomes of policy importance. Additionally, policymakers may consider asking questions about the reemployment and job training strategies in their own state and how they compare with or differ from the models described below.

- Nevada's Reemployment and Eligibility Assessment program provides new unemployment insurance (UI) claimants with an eligibility assessment and personalized reemployment services at a cost of approximately $250 per participant. Under Nevada's mandatory program—one of the features that distinguish it from other states' approaches—UI claimants meet one-on-one with a trained worker at one of the state's one-stop career centers. During the visit, the staffer reviews eligibility for services, provides labor market information, develops a reemployment plan, and other customized help, like resume assistance and referral to job training. Two randomized controlled studies showed that participants earned 15 percent to 18 percent more in wages three years later compared to non-participants and received 9 percent less in benefits, resulting in a net savings to the government.

Figure 1: Reemployment and Eligibility Assessment Key Findings: Outcomes for Participants

- Over 15 weeks, the Per Scholas job-readiness and skills training program prepares unemployed, disadvantaged workers for jobs in information technology. Two randomized controlled studies found participants earned 20% to 30% more than nonparticipants, totaling $4,000-$6,000 per year, gains that persisted two to six years after enrollment in the program. Program participants also were less likely to report receiving assistance from the Supplemental Nutrition Assistance Program. The program began in the Bronx neighborhood of New York City and has expanded to major cities across the U.S. The program costs approximately $5,800 per participant.

Figure 2: Per Scholas Job Training Key Findings: Outcomes for Participants

- Project QUEST offers skills training, career coaching and job placement in high-demand careers in manufacturing, skilled trades, health care and information technology. Participants who were offered the program earned $31,395 more than a control group over 11 years. Participants earn an associate degree or a certificate from a state- or licensing board approved program. The program also provides wraparound services such as tuition and textbook assistance, child care support and personal and academic counseling. The program costs $13,979 per participant. A cost-benefit study found a $19.32 return for every dollar spent on the program over a 25-year period. This included $3.77 per dollar spent in savings to the government because of reductions in food and income assistance and unemployment insurance. The program was originally created in partnership with city leaders and employers to bolster the San Antonio economy after the closure of two major employers in the 1990s. Versions of this program have been implemented elsewhere in the U.S.

Figure 3: Project Quest Key Findings: Outcomes for Participants

Earned $31,395

More than a control group over 11 years

- The Year Up program, a full-time workforce training program for economically disadvantaged young adults in high-demand sectors, increased average earnings by 34%, or $7,830, for participants in the fifth year, compared to a control group. The program provides supports such as weekly stipends for living expenses, mentoring, and job search and placement services. Participants spend the first six months developing their technical skills in information technology or financial services and professional skills. They spend the second six months as full-time interns with local employers and can earn college credit for Year Up courses. The program costs about $28,290 per student, with most of the cost (59%) paid by employers for interns. A cost-benefit analysis found a gain to society of $1.66 for every $1 spent on the program.

Figure 4: Year Up Program Key Findings: Outcomes for Participants

34% Increase in average earnings **or** **$7,830** In the fifth year

Using ARP Funds to Invest in Evidence-Based Workforce Solutions: 7 State Actions and Options

Recognizing there may be a skills mismatch between current job openings and those looking for work, policymakers are prioritizing job training and skills improvement in information technology, healthcare, manufacturing and other high-demand fields. As outlined below, states are taking the following steps to leverage time-limited American Rescue Plan funds to address pressing workforce needs and priorities.

1. CONVENE DECISION-MAKERS ACROSS GOVERNMENT

Several states have convened stakeholders from across and outside government to set spending priorities and develop decision-making frameworks to address their most pressing challenges.

- To address the negative impacts of the pandemic, Colorado HB 1330, enacted in 2021, authorized the use of ARP funds to address the decline in enrollment in institutions of higher education, high rates of job loss and continuing unemployment and disruption to the workforce. The legislation also established the Student Success and Workforce Revitalization Task Force and charged it with submitting recommendations and a final report to the legislature and the Colorado Commission on Higher Education. In January 2022, the task force released a report outlining an array of strategies, including innovation and scaling partnership grants, more transparent post-secondary and workforce data, and new statewide success measures.
- Montana HB 632, enacted in 2021, established a workforce development advisory commission and other commissions comprised of legislators from both chambers and political parties.

2. DIRECT FUNDS TO WORKFORCE DEVELOPMENT INITIATIVES.

To address the pandemic's negative economic impacts, many states have allocated or earmarked funds for workforce development initiatives. See NCSL's ARPA tracking database and states' 2021 recovery plans for more information on state allocations. For example:

- In 2021, lawmakers in Connecticut enacted legislation to establish a Chief Workforce Officer position, an Office of Workforce Strategy (OWS), and CareerConneCT account in the state's general fund. OWS has launched CareerConneCT to train entry-level and middle-skill workers in high-demand industries. CareerConneCT provides grants for training, case management and placement services, as well as for childcare, transportation and other student supports.
- Illinois is prioritizing underrepresented workers in its Workforce Recovery Initiative, a $44 million effort to connect unemployed, underemployed and displaced workers with skills training and new employment opportunities at all skill levels. This includes a workforce recovery grant program to expand workforce training and support services and career training grants for at-risk youth.
- U.S. Virgin Islands' recovery plan earmarks $2 million for subsidized employment programs and $2 million for apprenticeships, skills development, and workforce training. It also funds childcare assistance for unemployed individuals.

3. DETERMINE THE LEVEL OF EVIDENCE FOR EXISTING AND PROPOSED PROGRAMS.

Federal guidance encourages state leaders to use clearinghouses, such as the U.S. Department of Labor's Clearinghouse for Labor Evaluation and Research, to assess the effectiveness of programs already being implemented and interventions under consideration. Other clearinghouses for employment and job training include Social Programs That Work and Results First Clearinghouse Database.

For example, Kansas' SLFRF recovery plan outlined three resources for identifying evidence-based interventions: research clearinghouses; public research institutions, such as the University of Kansas' Center for Science, Technology and Economic Policy; and private research institutions.

4. EVALUATE WORKFORCE DEVELOPMENT PROGRAMS.

States can use SLFRF funds to evaluate and improve programs that address the pandemic's negative economic consequences. As described above, federal guidance directs states to identify whether funds are used for evidence-based interventions and/or program evaluations. When recipients opt to evaluate programs, the U.S. Department of Treasury requires them to describe their methods and to publicly post findings. Some states are taking steps to evaluate outcomes of workforce development programs funded in whole or part by ARP. For example:

- The evidence-building strategy in Connecticut's recovery plan involves three components: 1) prioritizing investments in evidence-building, 2) supporting the allocation of resources for evaluation and data analysis and 3) communicating and connecting projects with existing state efforts to coordinate and leverage capacity. The proposed evaluation framework for CareerConneCT includes an analysis that will measure, among other things, wage gains, educational attainment and decreased reliance on state services.
- North Carolina's Appropriations Act of 2021 appropriates $500,000 to the Office of State Budget and Management to provide evidence-based and competitive grants to state agencies. Agencies may use grants to partner with research institutions to conduct research projects and evaluate whether programs are achieving the intended results. State agencies are required to submit reports on the use of funds to the Joint Legislative Oversight Committee on General Government and the Fiscal Research Division.

For more information, see the second brief in this series, which addresses ARP's provisions related to program evaluations.

5. EMBED EVIDENCE AND PERFORMANCE MONITORING IN THE BUDGETING AND CONTRACTING PROCESS.

Several states have taken steps (including prior to ARP) to integrate performance information and evidence of program effectiveness into the budget process. For example:

- Colorado lawmakers in 2021 passed bipartisan legislation, SB 284, to set in place procedures to incorporate evidence-based programs into the state budget process.
- New Mexico SB 58 requires agencies to specify how much of the funds they request in their budgets will be spent on evidence-based programs.

Since passage of the ARP, several states have outlined plans for using evidence to drive spending decisions.

- Montana HB 632 requires departments administering programs funded by ARP to develop plans to measure the effectiveness of the programs. Departments must require applicants to state what they intend to accomplish if selected to receive funding.
- Rhode Island developed a Project Evaluation Matrix, which outlines major questions policymakers are addressing as they consider how to spend ARP funds. The framework lists a series of questions policymakers can ask, such as: "How will success or failure of the implementation process be monitored, evaluated and reported?"

6. ENGAGE IN RESEARCH PARTNERSHIPS TO BUILD EVIDENCE FOR PROMISING PROGRAMS AND POLICIES.

Several states have taken steps to partner with external stakeholders—such as universities, nonpartisan and philanthropic organizations, and subject matter experts—to convene and train legislative and executive staff on evidence in areas where leaders will be making decisions. For example, North Carolina's Office of Strategic Partnerships develops, launches, and enhances partnerships between state government and North Carolina's research and philanthropic sectors. For more information, see the third brief in this series, which highlights state-level partnerships to build evidence for workforce development initiatives.

7. DEVELOP A LEARNING AGENDA.

The U.S. Treasury Department's final rule and prior guidance encourages states to use SLFRF money to adopt a learning agenda, sometimes referred to as a research agenda or evidence-building plan. Federal agencies are required to complete learning agendas as part of the federal Foundations of Evidence-Based Policymaking Act of 2018 (P.L. 115-435). Learning agendas can help agencies identify and address prioritized research questions that drive their evidence-building practices.

States can consult federal resources, including the Evidence Act Toolkit, to learn how to develop a learning agenda and the benefits of doing so. While states are not required to develop these plans, some have indicated plans for doing so. For example:

- Connecticut is considering adopting a learning agenda, according to its recovery plan.
- The District of Columbia expects to use SLFRF funds to formulate a learning agenda to focus their evaluation efforts on answering questions of highest priority for district residents.

Conclusion

As states address workforce challenges caused or worsened by the pandemic, they are also making policy decisions based on evidence about which interventions are most likely to achieve important results, like better earnings or employment in high-demand occupations. Many states are using ARP funds to identify their unique workforce challenges and invest in programs that address their most pressing policy needs. Some states are using funds to evaluate programs that have less evidence, but that have the potential to alleviate longstanding or pandemic-related labor market problems.

To learn more about how states are evaluating programs and partnering to build evidence capacity and strengthen their workforce, see NCSL's other issue briefs in this series. These evidence-based policy actions are helping state leaders strategically invest time-limited resources for long-term impact.

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- Improve the quality and effectiveness of state legislatures.
- Promote policy innovation and communication among state legislatures.
- Ensure state legislatures a strong, cohesive voice in the federal system.

The conference operates from offices in Denver, Colorado and Washington, D.C.

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