

Executive Summary

The Center for the Study of Human Resources (CHR) of the LBJ School of Public Affairs at The University of Texas at Austin conducted a multi-year evaluation (FFY 1993 through FFY 1995) of the Texas Food Stamp Employment and Training (E&T)/Job Opportunities and Basic Skills (JOBS) Program Conformance Demonstration under a contract to the Texas Department of Human Services (DHS). The evaluation described and monitored policies and practices developed and implemented for the demonstration—known as the BOND program—and to assess their preliminary impacts on service delivery, participation, costs and outcomes. The Food and Consumer Services of U.S. Department of Agriculture sponsored the demonstration and the evaluation. This report presents the results from the cost analysis of the BOND evaluation.

Cost Analysis. The purpose of the cost analysis was to determine the impact of the demonstration on the costs of administering and providing activity components and support services to E&T participants in the BOND program. The analysis addressed pre-/post-demonstration and cross-site E&T program costs for McLennan County (the demonstration site) and Smith County (the comparison site), as well as annual statewide E&T costs.

The cost analysis revealed that the BOND demonstration required far greater commitments of resources than the pre-demonstration E&T program in McLennan County. Additionally, demonstration costs rose in conspicuously larger leaps than in the E&T program in Smith County, the comparison site. BOND also influenced the spending levels and patterns of the E&T program statewide, particularly child care expenditures.

Costs in BOND increased for several reasons: the program served more clients who had access to a wider range of activities; clients were generally enrolled for longer periods—notably in postsecondary and adult education—and required more support services; and BOND provided case management services to all participants.

Table A. E&T Total Costs

	FFY 1993	FFY1994	FFY 1995
Demonstration	\$250,695	\$720,690	\$1,118,638
Comparison	\$176,510	\$215,480	\$225,547
State	\$14,870,690	\$14877,028	\$15,041,735

BOND Program Costs. During the evaluation period, total direct costs for E&T participants in BOND rose from \$250,695 in FFY 1993 to \$720,690 in FFY 1994 and \$1,118,638 in FFY 1995. The enormous increase in E&T direct expenditures for the demonstration was attributed to larger administrative, direct delivery and support services costs.

- Administrative costs rose from just over \$14,000 per year to almost \$55,000, largely due to increased rent expenditures for the modern office tower in which contracted BOND components were delivered.
- Direct delivery costs rose from \$201,310 in FFY 1993 to \$372,505 and \$422,492 in FFY 1994 and FFY 1995, respectively, due mostly to the cost of providing case management/non-component services to E&T participants (around \$200,000 per year).
- Support services costs rose from \$35,064 to \$295,320 and \$641,812 during the first two years of the demonstration. Child care costs alone rose from \$8,072 to \$559,196. Transportation and other costs increased from \$26,992 to \$82,116.

In addition to the increases in direct expenditures, the BOND initiative successfully leveraged other community resources, particularly for adult and postsecondary education. In return for the leveraged resources, BOND provided case management, child care and transportation assistance. Estimated leveraged resources totaled \$375,631 in FFY 1994 and \$638,707 in FFY 1995.

- The Adult Education Programs at McLennan Community College provided Basic Literacy, Adult Secondary/GED, and ESL classes with an estimated cost of \$18,781 in FFY 1994 and \$45,247 in FFY 1995.
- BOND also leveraged resources with an estimated cost of \$356,850 in FFY 1994 and \$593,460 in FFY 1995 at the postsecondary level through enrollments at McLennan Community College and Texas State Technical College.

The students themselves acquired most of the resources for postsecondary tuition, fees and books (through loans, grants, earnings, etc.). JTPA programs administered by the Heart of Texas Council of Governments (HOTCOG) contributed an estimated \$28,000 in assistance for FFY 1994 and \$106,000 for FFY 1995. EOAC, the local child care system manager, also raised funds locally to provide post-program child care, some of which helped former BOND participants.

Smith County E&T Costs. E&T program costs in Smith County grew during the evaluation period also, but at a much slower rate. During the three-year evaluation period total costs in Smith County grew from \$176,510 in FFY 1993 to \$215,480 and \$225,547 in FFY 1994

and FFY 1995, respectively. Administrative and support services declined and direct delivery costs increased only slightly.

- Direct delivery costs rose from \$122,120 in the baseline year to \$176,314 and \$190,184 in FFY 1994 and FFY 1995, respectively, due to an expansion of contracted services.
- Administrative costs dropped from \$29,888 in FFY 1993 to \$19,386 and \$17,779 in FFY 1994 and FFY 1995, respectively, due to decreased communications and rent-related costs.
- Transportation costs dropped from \$24,509 to \$17,494 across the three-year period, in part because of lower participation rates.

Statewide Costs. During the three-year evaluation period, total expenditures statewide remained about \$15 million, with administrative costs dropping and direct delivery and support services costs increasing.

- Administrative costs steadily dropped from \$2.69 million in FFY 1993 to about \$1.88 million in FFY 1995.
- Direct delivery costs rose from about \$10.48 million in the baseline years to \$10.91 million and \$11.13 million in subsequent years.
- Support services costs rose from \$1.70 million in FFY 1993 to \$2.02 million in FFY 1995, reflecting increased expenditures on child care as part of the BOND demonstration.

Assuming similar rates of participation, types of enrollments and demands for support services in every E&T county in Texas, the projected direct costs of expanding the BOND model statewide was \$36 to \$40 million based on FFY 1994 costs and \$56 to \$62 million based on FFY 1995 cost.

Participant Cost Comparisons. CHR derived total costs per participant and costs per participant hour as shares distributed across the unduplicated annual total number of participants with reported hours in any activity component, as well as costs per actual participant in specific activity components.

Costs per Participant. E&T costs per participant were two to three times higher in McLennan County than in Smith County.

- E&T cost \$1,035 per participant in McLennan compared to \$336 in Smith County in FFY 1994. The difference narrowed as costs per participant rose to \$1,318 per participant at the demonstration and to \$680 at the comparison site in FFY 1995.

Most of the increase in McLennan was due to increased child care costs which rose from \$352 to \$659 in the second year of the demonstration; child care was not a factor in Smith County. The increased costs in Smith County resulted primarily from the increased cost per participant in contracted components associated with declining numbers of total participants. Statewide changes in the E&T program design required Smith County staff to provide more intensive services to a smaller number of individuals.

Table B. Costs Per Participant and Per Participant Hour

	FFY 1994		FFY 1995	
	Demonstration	Comparison	Demonstration	Comparison
Participant	\$1035	\$336	\$1318	\$680
Participant Hour	\$3.73	\$2.88	\$4.31	\$5.37

Costs per Participant Hour. During the first two years of the demonstration, BOND provided several activities and support services that were not prominent features of the E&T program in Smith County—particularly access to education, child care and case management—and did so at a lower per participant hour cost.

- Costs per participant hour were \$3.73 and \$4.31 in McLennan County during FFY 1994 and FFY 1995, compared with \$2.88 and \$5.37 in Smith County during the same period.

In McLennan County, a higher number of participants distributed across a wider array of activity components produced more hours which, despite larger total expenditures, helped keep per participant hour cost relatively lower than in Smith County. Conversely, a smaller number of participants, distributed across fewer activity components and producing fewer participation hours, held per participant hour cost higher in Smith County, despite smaller total expenditures.

Costs per Component Participant. The BOND program in McLennan County had higher costs per component participant than the regular E&T program in Smith County in part because of the wider distribution of component options selected by BOND participants and the relatively reduced concentration of participants in contracted activities.¹ BOND participants

¹ BOND's volunteer policy attracted many participants—up to 40 percent of all participants—most of whom were enrolled in postsecondary education.

were dispersed across Job Search (Individual Job Search/GEMS), Job Readiness (Job Preparation/Life Skills Training), Education (adult and postsecondary), and Work Experience activities. Smith County E&T participants were universally enrolled in Job Search and Job Readiness activities only.

- Costs per Job Search participant in McLennan County was \$466 and \$541 for FFY 1994 and FFY 1995, compared to \$185 and \$299 for those same years in Smith County.

Nearly all participants in Smith County partook of Job Search activities, whereas only 25 percent, or less, of E&T clients in BOND participated in Job Search.

- Costs per Job Readiness participants were \$259 in McLennan County and \$91 in Smith County during FFY 1994, and \$319 and \$276, respectively, in the following year.

Two factors contributed to the wide differential in Job Readiness costs per actual participant in FFY 1994. Less than one-half of the 696 BOND participants participated in one of two Job Readiness seminars (Job Preparation or Life Skills Training); all 641 E&T clients in Smith county participated in the single Job Readiness seminar offered (Job Preparation). Costs were also lower because Smith County was not yet bearing the additional cost of the Life Skills Training seminar. When the Smith County E&T program began providing Life Skills Training as a Job Readiness activity in FFY 1995, costs per component participant moved closer together, as did the number and shares of individuals reported in this component.

CHR derived costs per component participant in adult and postsecondary educational activities in McLennan County based on leveraged resources for tuition, books and fees. There were no education referrals in Smith County during this two-year period.

- The cost per adult education participant in BOND was \$335 in FFY 1994 and \$400 in FFY 1995.
- The cost per postsecondary participant in BOND was \$1,469 in FFY 1994 and \$1,587 in FFY 1995.

Findings. BOND expanded opportunities for Food Stamp clients to participate in an array of pre-employment and education activities—particularly adult and postsecondary education—and provided case management and support services that facilitated completion of these components. These activities and services required significantly larger program expenditures than the regular Texas E&T program, especially for child care, but they also

provided the basis for potentially better outcomes through tangible increases in human and social capital.

Nevertheless, major issues remained unresolved. The study reinforced concern with the enormous cost of providing child care and other support services for participants in long-term education and training. Finally, the study asked: To what degree can and will employment and training programs support higher initial costs to achieve potentially better outcomes?