August 2024: Evidence-based recommendations for PDF tiered reimbursement for short-term credential programs

Executive Summary

Below, PDF, with support and technical assistance from its partner the Colorado Equitable Economic Mobility Initiative (CEEMI), lays out:

1) **Details on three reimbursement "tiers"** for eligible short-term training providers, based on the strength of evidence indicating they increase learners' wages, to be phased in starting in Fall 2024, and fully implemented by Spring 2026 *(Pgs. 1 & 2).*
2) **Details on minimum benchmark learner wage increases for training providers to qualify for reimbursement,** and a brief summary of how they were calculated *(Pgs. 2 & 3).*
3) **An illustrative table showing how reimbursement works in practice for the three tiers** *(Pg. 3).*
4) **A reminder, building on previous communications, on how PDF is phasing in these reimbursement tiers in the first two years,** recognizing that many programs will need time to establish systems to measure their learners' wage outcomes. This phase-in is based on the framework previously approved by PDF's board.*(Pg. 4).*
5) **Appendix A, with details on reimbursement levels at different tiers, including with slightly more generous reimbursement for learners at highest level of financial need** *(Pg. 5).*

Reimbursement tiers based on level of evidence supporting effectiveness of short-term training providers[1]: Below we have laid out three tiers of reimbursement based on the level of evidence backing a program's ability to increase wages. If, after reviewing this information, you still have questions about which Tier your organization fits into, please contact the PDF team, help@prosperitydenverfund.org.

- **Tier 1:** Programs can receive maximum PDF reimbursement (i.e., 70% or 75% of training and support services costs for learners at the highest financial need) if they have been shown to (i) produce statistically significant impacts on wages in at least one well-conducted evaluation with a high quality comparison group,[2] and (ii) are being implemented with fidelity. Fidelity of program implementation would be established by each program's developer, and validated by either PDF or a designated streamlined certification process, certifying the program is implementing essential elements of the program as it was found to be effective when it was evaluated.

- **Tier 2:** Programs that use official administrate data (e.g., state W-2 records) to measure pre-post wage gains without reference to a comparison group[3] can qualify for *up to* the maximum PDF reimbursement (i.e., up to 75% of training and support services costs for learners at the highest financial need) if their learners' average wage gains meet benchmarks laid out below, and they have

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[1] Importantly, these reimbursement tiers only apply to short-term training providers; by contrast, registered apprenticeship programs and teacher training programs can automatically qualify for maximum PDF reimbursement (i.e., 75% of training costs) per Denver City Council ordinance 23-0428.

[2] i.e. Per Denver City Council ordinance 23-0428, either meet the "proven" standard, based on a randomized evaluation or multiple high quality evaluations with a high quality comparison group, as defined in C.R.S. 2-3-210(2)(d) or the "evidence-informed" standard based on a single evaluation with a high quality comparison group or robust pre and post program evaluations, as defined in C.R.S. 2-3-210(2)(a). Note these statutory definitions were also very slightly amended in the 2024 legislative session, by bipartisan JBC legislation 24-1428.

[3] These also meet the "evidence-informed" standard as defined in C.R.S. 2-3-210(2)(a)

pre-post wage data for at least <u>80%</u> of their learners over at least a one-year period before and after training. Programs must also collect data to the greatest extent possible disaggregating outcomes by race, gender and ethnicity.

- **Tier 3:** Programs using self-reported data to measure pre-post wage gains without reference to a comparison group[4] can qualify at a <u>slightly lower reimbursement level of *up to* 50% of training and support services costs</u> if they meet the benchmarks laid out below, and have pre-post self-reported wage data for at least <u>60%</u> of their learners over at least a one-year period before and after training. Programs should also collect data to the greatest extent possible disaggregating outcomes by race, gender and ethnicity.

For Tiers 2 and 3: Pre-post wage gain benchmarks for short-term training programs to qualify for PDF funding

The following are the earnings benchmarks for programs using <u>pre-post data</u>, without reference to a comparison group, to qualify for PDF reimbursement (i.e. tiers 2 and 3). As described below, the benchmarks are higher for longer training programs than shorter ones. The rationale behind this is that longer training programs require learners to spend more time in training and, as a result, to potentially pass on more wage growth that might have naturally occurred even without the program. In other words, there is a greater potential opportunity cost in lost wages to learners for engaging in long-term training and, therefore, longer programs should be required to hit a higher earnings benchmark to account for this.

The bolded benchmarks are what short-term credential programs must meet to receive maximum PDF reimbursement. However, such programs can receive a lower level of reimbursement if they meet 70-99% of the earnings benchmark (e.g., a program whose learners on average meet 70% of the earnings benchmark can receive 50% rather than 75% reimbursement of training costs in tier 2, and 35% rather than 50% reimbursement of costs in tier 3). *The non-bolded sub-bullets in the next section indicate what the 70% earnings benchmarks would be. A chart in Appendix A, at the end of this memo, spells out reimbursement levels for training providers at different earnings levels.*

For shorter programs (e.g., those lasting less than 9 months), to qualify for maximum PDF reimbursement, programs must demonstrate their participants, on average, earn at least:

- **$2,500 more in the year following their training than in the year preceding it, for full reimbursement**.
  - o (70% of this figure is $1,750, the minimum gain needed to qualify for any level of reimbursement)
- **$8,500 more in second year following training compared to the year preceding it, for full reimbursement.**
  - o (70% of this figure is $5,950, the minimum gain needed to qualify for any level of reimbursement*)*

For longer programs (e.g., those lasting 9-15 months on average), to qualify for maximum PDF reimbursement, programs need to demonstrate that their participants, on average, earn at least:

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[4] Again, these also meet the "evidence-informed" standard as defined in C.R.S. 2-3-210(2)(a)

- **$4,500 more in the year following their training than in the year preceding it, for full reimbursement**
  - (70% of this figure is $3,150, the minimum gain needed to qualify for any level of reimbursement)
- **$10,500 more in second year after training, compared to the year preceding it, for full reimbursement**
  - (70% of this figure is $7,350, the minimum gain needed to qualify for any level of reimbursement)

Explanation: Recommendations for PDF pre-post earnings thresholds

How did PDF and CEEMI come up with these recommendations?

- PDF and CEEMI examined the average earnings trajectory of the control groups in 20 well-conducted randomized controlled trials (RCTs) of workforce training programs that report earnings outcomes for at least two years after program application. We paid particular attention to the 10 of these studies that also report on earnings for at least one year before program application, as this provides a substantially more accurate sense of learners' earnings history than earnings data from just the 1-2 quarters before the program.

- We focused on control groups from RCTs because these studies randomly assign some individuals interested in receiving a given training program to either a treatment group that receives the program or a control group that does not. That process of random assignment ensures to a high degree of confidence that these two groups are highly similar in both observable characteristics (e.g., demographics, prior work history) and unobservable ones (e.g., motivation, psychological resilience). As a result, looking at control groups' earnings trajectories gives us a reasonable estimate of what would have happened to training program participants if they never received training.

Illustrative examples of reimbursement amounts for programs backed by different evidence levels

The following table shows what reimbursements would be for **illustrative training programs costing $1,000 per learner** backed by different levels of evidence. Note that this example is for a learner at the highest level of financial need. For a learner at a slightly lower (but still significant) level of financial need, all reimbursement levels set forth below would be 5 percentage points lower. Additional details on learner Reimbursement Rate Groups will be provided by PDF with the Fall 2024 Distribution Cycle materials. Appendix A also includes a table showing exact reimbursement levels at different thresholds of earnings that fall in between 70% and 100% of the earnings benchmark.

Qualifying evidence category	Maximum reimbursement per eligible learner for $1000 spent	At 70% of wage benchmark (i.e., minimum wage growth to qualify for any reimbursement)
Tier 1: Effective based on a high quality comparison group study	$750 – maximum PDF reimbursement (i.e., 75% of training/support service costs) is automatic with statistically significant wage effects in qualifying study/studies.	Not applicable – maximum reimbursement ($750) is automatic with statistically significant wage effects in qualifying study/studies.

Tier 2: Evidence-informed (pre-post studies – official data)	$750 – maximum PDF reimbursement (i.e. 75% of costs) is possible by meeting bolded pre-post wage growth benchmarks described above.	$500 – if programs using official pre-post wage data hit the 70% benchmark, they can receive reimbursement at 50% of costs.
Tier 3: Evidence-informed (pre-post data self-reported)	$500 – 50% reimbursement is the most programs qualifying using self-reported pre-post data can receive by hitting bolded pre-post wage benchmarks described above.	$350 – if programs using self-reported pre-post wage data hit the 70% benchmark described above, they receive reimbursement at 35% of costs.

How to phase in/implement:

As programs need some lead time to assess 1 and 2 year earnings levels for participants, we have designed a phase-in period over the next two years, so that this framework may not be fully implemented across all Supported Organizations until Spring 2026. **This phase in period was previously approved by the PDF board and described in memos released to Supported Organizations (SOs) in April and May 2024.**

SOs that qualify as either registered apprenticeship programs or teacher training programs, OR that can demonstrate that they qualify for tier 1 or tier 2 as defined above, will be able to move up to the higher reimbursement levels starting in Fall 2024. The certification of SOs into their qualifying tier will be conducted by CEEMI.

Between Fall 2024 and Spring 2026, all SOs will be automatically eligible for reimbursement of 50% of their training costs by PDF if they can provide *any* pre- and post- wage outcome data on learners served, demonstrating learners earn more – by any amount – after the program than they did before. During the phase-in period, all applicable SOs are expected to operate in good faith that they are working towards achieving the highest tier of wage data reasonably attainable for their organization.

Beginning in Fall 2026, **ALL** short-term credential SOs will need to meet the minimum thresholds for tiers 1, 2, or 3 defined above to be eligible for PDF reimbursement.

The 2 year phase-in plan briefly described above is mapped out in more detail in the previous memo PDF and CEEMI disseminated in May 2024, which has been approved by PDF's board.[5]

As the short-term certificate program launches and is implemented, reimbursement will be efficiently processed during bi-annual reimbursement periods for an SO that is certified at the appropriate evidence and reimbursement tier.

During the 2-year onboarding period, CEEMI will help establish a streamlined system for SOs to submit wage data, allowing them to demonstrate their eligibility of moving into tier 2 or tier 1 as soon as possible. On an ongoing basis, CEEMI will assist with reviewing the submitted wage data, to help determine the appropriate tier. Additionally, if there are SOs unable to move into tiers 1 or 2 during this initial onboarding, CEEMI will work with them to connect with additional resources for technical

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[5] This final guidance was approved by PDF Board at the May 8, 2024 Board meeting. Title: "Overview of Plan for Tiered Reimbursement, based on learner outcomes." Available on request.

assistance. After an initial certification by CEEMI in consultation with PDF, placing the SO in the appropriate reimbursement tier, CEEMI will confirm on an annual basis that learners are completing the program so that the SO does not need to demonstrate every qualifying learner is meeting the wage benchmarks every cycle. An SO's status as "in good standing with PDF" will be periodically reviewed and renewed based on historical wage data, at a cadence to be determined.

Ensuring this framework supports/promotes providers serving learners with barriers:

Per City Ordinance[6], reimbursement must be funded on a sliding scale based on a learner's demonstrated financial need. In addition to the provisions described above, the reimbursement framework below includes two needs-based tiers that will determine the final rate at which the reimbursement will be calculated for costs associated with a given learner with a reimbursement rate difference of 5% between the two. Details of eligible demonstrations of financial need and which Reimbursement Rate Group a learner falls in will be provided to SOs with the Fall 2024 Distribution Cycle materials.

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[6] Denver City Ordinance Sec 11-36(d)

APPENDIX A:

Reimbursement bands for PDF training providers[7] across all three evidence tiers

Tier 1

% of earnings gain threshold (see amounts on page 2 - 3 above) for providers' average learner	% cost reimbursement for Reimbursement Rate Group A	% cost reimbursement for all Reimbursement Rate Group B
N/A (by definition, a provider in Tier 1 has provided evidence of causal impact on earnings from a rigorous evaluation)	75%	70%

Tier 2

% of earnings gain threshold (see amounts on page 2 - 3 above) for providers' average learner	% cost reimbursement for Reimbursement Rate Group A	% cost reimbursement for all Reimbursement Rate Group B
70-79%	50%	45%
80-89%	60%	55%
90-99%	70%	65%
100% or more	75%	70%

Tier 3

% of earnings gain threshold (see amounts on page 2 - 3 above) for providers' average learner	% cost reimbursement for Reimbursement Rate Group A	% cost reimbursement for all Reimbursement Rate Group B
70-79%	35%	30%
80-89%	40%	35%
90-99%	45%	40%
100% or more	50%	45%

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[7] **Credentials:** In this guidance, we've focused on a workable definition of whether a provider is in fact "evidence-based." The ordinance *separately* requires that a qualifying training provider "grants or prepares the graduate to quickly earn an industry-recognized credential in an employment sector where workers are in demand, as certified by the corporation." To comply with this, PDF can certify that any participating training provider grants or leads directly to a credential of value. In some cases, a "certificate of participation" in the program could be sufficient to satisfy this requirement.