

Research Brief

August 2011



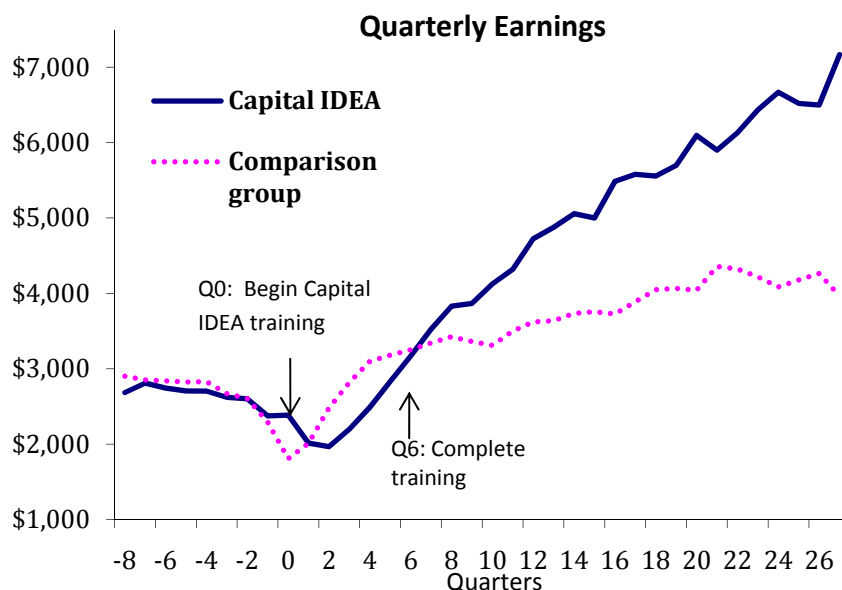
Return on Investment from Capital IDEA

Background: Capital IDEA offers occupational skills training and extensive support services to low-income residents, concentrating on long-term engagement to improve education and labor-market outcomes. Capital IDEA takes a sectoral approach, focusing on occupations in high demand typically with starting wages of \$16 per hour or more in health care, information and electronic technologies, utilities, and skilled trades. Fully three-quarters of Capital IDEA's training is in nursing and allied health careers, a sector the Bureau of Labor Statistics identified as among the fastest growing. The average participant spends 1.5 years in the program at an estimated average cost of \$6,459 (or \$6,290 in present value terms). Approximately 2/3 of Capital IDEA training is funded by taxpayers, with the remaining 1/3 funded by others, including employers, philanthropic organizations, individuals, and alumni.

Impacts Analysis: A 2011 report from the Ray Marshall Center at the University of Texas compared outcomes for Capital IDEA participants (completers and non-completers) to those of a matched comparison group of individuals who received basic job search assistance. **Participation in Capital IDEA is associated with large, statistically significant gains in quarterly employment, eligibility for Unemployment Insurance benefits, and average quarterly earnings as indicated in the chart to the right.**

Return on Investment: Ray Marshall Center researchers also developed a cost-benefit analysis for Capital IDEA. Returns to taxpayers stem from reductions in welfare and food stamp payments and increased tax receipts. The taxpayer's investment is fully recouped after 8.5 years. Total returns to taxpayers are estimated at 165% for the first 10 years and 501% over 20 years.

- Over the first 10 years, each dollar invested in Capital IDEA training returns \$1.65 to taxpayers, which translates to an annual return rate of 9% per year.
- Over 20 years, each dollar invested in Capital IDEA returns \$5.01 to taxpayers—an annual return rate of 17% per year.



Note: Capital IDEA participation begins at Quarter 0. Participant earnings are compared to comparison group earnings from the previous eight quarters to ensure a quality matched comparison.

Sources:

Smith, King, and Schroeder. (2011). *Local Investments in Workforce Development: 2011 Evaluation Update*. Austin: Ray Marshall Center.

Smith and King. (2011). *Exploratory Return on Investment Analysis of Local Workforce Investments*. Austin: Ray Marshall Center.

Available: www.raymarshallcenter.org