

**Response to Request for Information (RFI)
From the State of Michigan
Social Impact Bonds**

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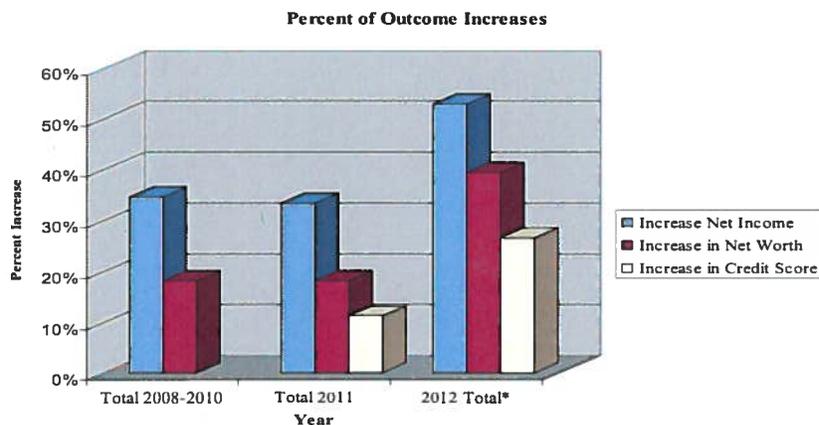
I. Background Information:

In response to the State of Michigan’s Request for Information (RFI), the Greater Detroit Centers for Working Families (CWF) proposes to create pay for success opportunities utilizing its innovative Center for Working Families (CWF) model.

The Greater Detroit CWF Network was established with technical assistance from the Local Initiatives Support Corporation (LISC), a national intermediary known for its innovative work transforming distressed neighborhoods into healthy, sustainable communities. Greater Detroit CWF is a partnership between Detroit LISC and the United Way for Southeastern Michigan (UWSEM). Detroit LISC and UWSEM created and manages the CWF network in southeastern Michigan.

The Greater Detroit CWF network of 8 sites connect low income, unemployed adults to the workforce, to financial supports and to financial counseling to increase credit scores. The experience of LISC and UWSEM has shown that a job alone is not enough to meet monthly expenses and negative net income continues to impact the working poor even after employment is secured. These services help families learn to save money, build assets and eventually move from negative net worth (debt) to positive net worth and financial independence.

The CWF model is an evidence-based approach with a track record for success. The integrated approach has produced a 33% job placement rate for its targeted clients in the metro-Detroit area. Other measurable outcomes for CWF clients include an average 53% increase in net income, 40% increase in net worth and a 27% increase in credit scores.



Graph 1: Aggregate Increases in Financial Metrics for CWF Participants

Savings to the state of Michigan are likely to come from decreased use of entitlement programs such as Family Independence Program (FIP), and food stamps by participants who 1) get their credit score to a minimum of 650 and 2) leverage this number to find jobs and maintain employment.

The CWF model has successfully increased the income of individuals and families, moving them towards self-sufficiency and decreasing their dependence on public supports over the long term. To connect or reconnect to the economic mainstream and build financial strength, low-to-

moderate income families require focused and intensive support and real opportunities to re-attach to the workforce, improve credit, and build assets. CWF represents an effective and proven approach that can have long term, intergenerational impact yielding a return that will benefit their families and communities. Each CWF client is empowered with newly acquired wealth-building skills, jobs and “disposable” income. This translates to residents circulating their money back into the local economy.

The CWF model has achieved consistent results by utilizing integrated intervention strategies that result in increased financial stability for families. The traditional workforce development model does not even track these critical success metrics. But these factors are critical to stabilizing families’ finances, setting the stage for job stability and increased earnings as time goes on.¹

II. Social Context

In recent years, the State of Michigan has faced an unprecedentedly poor economic outlook. Persistent unemployment, underemployment and poverty continue to plague neighborhoods throughout the state. Southeastern Michigan has been especially hard hit. In August 2013, the State of Michigan’s Department of Technology, Management and Budget estimated unemployment in the region at 8.9%, and 17.7% in the City of Detroit.

Household incomes have dropped significantly and many families, even those with jobs, are finding it more and more difficult to remain financially stable. Between 2000 and 2010, southeastern Michigan’s median family income dropped by 18% (American Communities Survey). Many families are facing foreclosure and struggling to pay their bills.

The State of Michigan’s Workforce Development Agency has made substantial investments in workforce development programs to address the needs of Michigan’s chronically unemployed residents. Its One-Stop Career Center model offers a “one-size fits all” approach to job training and financial support that has resulted in an only 8% placement rate for Michigan residents receiving Temporary Assistance for Needy Families (TANF) benefits.

The Greater Detroit Centers for Working Families address a chronic problem that undermines low-income families – that monthly income is usually not enough to cover monthly expense. Families with negative net income (expenses that exceed income) have difficult decisions to make every month. Their options are limited, with many having to borrow from family and friends, use high-priced predatory lenders, or max out whatever credit cards they have. If and when these options run out, many families simply can’t pay their bills and so face the consequences - household utilities being cut off, cars being re-possessed, eviction, and foreclosure. Any of the latter events – catalyzed by negative net income – can easily undermine low-wage workers trying to succeed at work and/or to pursue educational opportunities.

¹In 2011, National LISC identified and began tracking specific performance metrics to be measured throughout its national Centers for Working Families Network. Increasing program focus on these metrics resulted in significant improvement toward family financial goals in 2012.

There are eight Centers for Working Families sites in the Greater Detroit CWF network, and all are flooded with low-income adults who are 1) looking for new or better jobs, and/or 2) seeking education/skills training to better their chances of making more money. Despite the strong desire to work and get ahead, the consequences of financial instability are real. Many participants have to be late or absent from work or school to pay their bills in person, find new apartments, or get their children moved to different schools. And many participants, once they get to work or school, are distracted by these larger issues – and therefore struggle to meet the expectation of employers and teachers. Indeed, persistent joblessness among low-income adults is less about being able to find a job, and much more about being able to stay on the job.

Despite these circumstances, colleges and workforce programs are not asked by their funders to report on the financial health of participants/students. Workforce programs report on achievements such as the number of job placements, the job placement rate, and salary rates/increases. The Greater Detroit CWF network, in contrast, addresses the issue of financial instability head on by calling on CWF counselors to document and work to improve three composite measures of basic household financial wherewithal – net income, net worth, and credit score. Nationally, LISC worked early on to develop uniform practices and systems to capture this type of data. At program entry, CWF counselors complete standardized budgets and balance sheet for participants, as well as pull credit reports and FICO credit scores (penalty free, and at no cost to participants). Counselors then update these numbers over time, as participant circumstances change. The result is that the Greater Detroit CWF network has rich data about participant finances.

As expected, LISC's data show that median net income among participants is consistently negative at program entry (-\$172.00 among clients served in 2012). The median FICO credit score is also low at program entry (574 among clients served in 2012). Less expected, but of critical importance, the data have shown from the start much higher than expected numbers of people with no credit score at all.

III. Participant Base:

The Greater Detroit CWF proposes to target southeast Michigan's low-income residents, many of whom access a variety of expensive supports from DHS (FIP, food stamps, Medicaid, and child care subsidies). A full 72% of all CWF participants were below the federal poverty line. Another 12% fell between 100 and 200 percent of the federal poverty levels. Many low-income families have relied on these supports from generation to generation. Though they receive a wide array of supports, they rarely get the counseling and support needed to move themselves off of these supports on a permanent basis. The services CWF provides to this population help them move from a dependency on government assistance, become employed, bankable and self-sufficient. Successful intervention with this group could dramatically reduce costs for the State of Michigan on an enduring basis.

The Greater Detroit CWF is a network of eight Centers for Working Families, all of which target low-income residents of their surrounding communities. Across the CWF network, a majority of participants (43 percent) come into the program seeking workforce services (job placement, and/or access to education/training programs). A total of 2,233 people sought services from the eight Centers in 2012, receiving at least financial counseling services. Among those participants,

68% were African-American, and 13% reported their ethnicity as Hispanic. A total of 51% were women and 49% were men. Most were unemployed at program entry (79%), many CWF participants entered the program with serious barriers to employment – 21% had no high school diploma or GED, and 35% had high school diplomas or GEDs; 26% came in with criminal convictions – either felonies or misdemeanors. Specific target populations which could be addressed by CWF in the SIB initiative may include recipients of DHS benefits (including FIP, food stamps, etc.) or returning citizens.

IV. Proposed CWF Intervention Model:

Modeled on the Annie E. Casey Foundation’s Centers for Working Families (also known as Financial Opportunity Centers or FOCs), the Greater Detroit CWF provides families with integrated services across three areas: 1) Employment placement and career advancement, 2) Financial education and coaching, and 3) Public benefits access.

As indicated above, poverty is often cyclical and multi-generation, taxing both government and charitable resources. Collaborating through a model aimed at breaking the cycle of poverty and creating self-sufficiency offers the promise of saving considerable resources in both the public and private sectors.

The Greater Detroit CWF utilizes an integrated service delivery (ISD) model. It works with eight non-profit service providers in southeastern Michigan to engage participants in three integrated services:

1. **Employment Services:** Sites provide soft-skills training in basic job readiness, training in hard skills needed in today’s job market, and job placement assistance to create a career-focused workforce. This training often serves as a client’s entry point to the other components of the CWF program.
2. **Financial Coaching and Counseling:** Sites provide group-based financial education, one-on-one financial counseling focused on solving specific problems or crises, and one-on-one financial coaching focused on debt reduction, budgeting, and long-term planning. This program helps clients change their long-term behavior and create a vision of financial stability.
3. **Income Support Coaching:** Sites provide clients with help accessing available public and private income supports. This enables clients to help pay for every day expenses while taking deliberate steps toward financial independence, therefore decreasing their dependence on public subsidies.

All three CWF core services - employment assistance, enhanced access to income supports, and one-on-one financial counseling - contribute to these increases. CWF employment counselors help increase net income through new and improved wages. CWF income support counselors help increase net income through income supports, such as Food Stamps and child care subsidies. And CWF financial counselors help turn net income increases into opportunities to improve the other two indicators - credit score and net worth. More importantly, CWF financial

counselors help each participant 1) articulate his/her vision of a more stable financial future, and 2) take the steps needed to realize that vision. CWF financial counselors use “coaching” techniques to do this work. They start from the assumption that each client is creative, resourceful, and whole, and - instead of telling the client what to do - they ask for the client’s permission to hold him/her accountable for taking each necessary step.

This approach, plus constant attention to tracking protocols, has led to significant improvement in all three key indicators from year to year. The chart below compares these indicators for each of the four years starting with 2009.

Key Financial Indicators	2009	2010	2011	2012
<i>n = Total number of participants</i>	n = 729	n = 781	n = 1,108	n = 1,361
Total # of people with net income going up	42	122	251	495
Total # of people with credit scores going up	0	2	121	275
Total # of people with net worth going up	19	152	156	402

Table 1: Trends in Financial Indicators for CWF Clients 2009-2012

While LISC relies heavily on composite indicators, there are single events, too, that contribute greatly to participant success. Chief among them are job placements, college enrollment, retention and completion, and access to new benefits.

Additional Indicators	2009	2010	2011	2012
<i>n = Total number of participants</i>	n = 758	n = 1,198	n = 1,496	n = 1,551
Total # of people placed in jobs	1	52	451	527
Total # of people attending education/training	74	263	430	262
<i>n = Total number of participants</i>	n = 684	n = 1,133	n = 1,409	n = 1,194
Total # of people approved for benefits	58	135	128	208

Table 2: Trends in Job Placements, Career Development and Income Stabilization through Income Supports for CWF Clients 2009-2012

V. Performance Measures for Assessing Outcomes:

The Greater Detroit CWF’s overall goal is to provide individuals and families with the integrated support system they need to get and stay on a path to financial stability. As noted above in

reference to the intervention model itself, the program benefits from a national platform for data tracking called Efforts to Outcomes (ETO), to monitor its results locally and nationally. For example the Greater Detroit CWF network accomplished the following outcomes for the 12 month period ending January 2013:

- 5,691 clients served since inception (2008)
- 2,640 clients actively receiving at least financial counseling services
- 958 clients retained employment
- 598 clients increased net income
- 438 clients increased net worth
- 301 clients improved their credit scores

LISC already has a robust system in place, nationally as well as at each of the eight sites to track and evaluate outcomes. LISC has been using a customized template – built on Efforts to Outcomes (ETO) software to determine the success of the model and to inform our capacity building and technical assistance efforts. In building the template, LISC licensed a 20-year-old tracking methodology of Project Match. That methodology makes it easy for front-line staff to capture granular, but thorough, data – including participant budget, balance sheet, and credit information. Regarding access to credit data, LISC already has a practice of getting written permission from participants - at the first financial counseling session - to pull their credit report/scores every six months for five years – with or without them present. Perhaps most importantly, LISC completed work several years ago on a set of custom CWF reports that allow us to easily pull aggregate data. Thanks to these reports, LISC and its partners have long been able to understand system data, and make data-informed program design changes. Appendix B is a sample report depicting data points that are tracked for all CWF sites.

VI. Scalability:

The CWF model is clearly scalable in Michigan with assistance from National LISC, which has worked with partners to successfully implement the CWF model in 66 centers in 23 cities across the United States. This includes three cities on the Westside of Michigan: Kalamazoo, Grand Rapids, and Battle Creek. Greater Detroit CWF provides the CWF agencies with technical assistance training in client management, the ETO data management system, financial and career coaching, employer engagement, and linkages to LISC’s nationwide network.

Success has been measured by tracking the number of clients served, net income, net worth, credit scores and job placements. “In 2011 alone, LISC’s CWFs helped more than 3,600 people find employment, 3,100 obtain public benefits, 2,600 increased their earnings and 6,300 establish budgets to help them reach their financial goals.”²

VII. Budgetary Cost Savings:

Greater Detroit CWF believes that putting people to work and increasing their net worth will have multiple benefits to the State of Michigan in the form of decreased participation in

² *Expanding Financial Opportunity: LISC’s Experience With Scaling Up Financial Opportunity Centers*, Chris Walker and Dana Huff, November 20, 2012

entitlement programs such as FIP, food stamps, Medicaid and childcare subsidies.³ The cost savings benefits to the state will come from participants who 1) increase their credit scores, and 2) leverage their newly enhanced credit worthiness to find jobs, maintain employment, and continue their studies. Examples of the potential benefits to the State include increased state income tax paid by CWF participants, increased federally funded benefits that are used to purchase goods and services in low-income neighborhoods and reduction in Medicaid case loads (less general fund expenditures for Medicaid) for CWF participants who gain employment that includes employer sponsored health insurance.

In addition, the State of Michigan can expect increased payroll and sales taxes flowing to the state general fund as low income residents improve their economic stability.

Greater Detroit CWF Clients Served in 2012	Greater Detroit CWF Job Placement Rate	Greater Detroit CWF Outcomes	Avg. Monetary Benefits per CWF Client	Aggregate Greater Detroit CWF Monetary Benefits to the State of Mich.
2,640	33 percent network-wide performance	More clients working means higher net income and higher state payroll taxes paid (@ 4.25%) and 6% sales taxes	CWF clients' avg. hourly wages: \$10.40 2012: 386 clients placed in FT jobs = \$16,872 annual wages; 236 clients placed in PT jobs = \$10,545 annual wages.	Aggregate annual wages for CWF clients placed in jobs @\$10.40/hr = \$9,001,742. Subtract CWF total program costs of \$2,692,992 = \$6,308,732 net economic impact of CWF client wages.
		37% of CWF clients placed in jobs earn health care benefits thereby saving the State on Medicaid costs		
		More clients working saving the state significant spending on entitlement programs		

Table 3: Projected Savings Based on Decreased Need for State Assistance and Increased State Revenues as a Result of Higher Job Placement Rates

³ According to the Cato Institute's 2013 "Work versus Welfare Trade-Off" study, Michigan's combined state and federal welfare benefits investments amount to \$28,872 per year per recipient.

VIII. Funding Strategy:

The Greater Detroit CWF network is a model platform for an intermediary structure. The LISC/United Way partnership operates as an intermediary for our 8 member organizations. This platform works very well in ensuring service quality, leveraging financial resources, pursuing continuous improvement, and providing technical assistance and training to all the network members. It also is a financial conduit for funding the providers. This structure is immediately ready and appropriate for an SIB funded CWF initiative.

Detroit LISC and United Way of Southeast Michigan are continually working to raise private dollars for the CWF network, first to match the federal Social Innovation Fund (SIF) award we receive from the Corporation for National and Community Services, and then to continue to grow the network beyond the current eight sites. At the present time, the following private funders in Michigan contribute to the Greater Detroit CWF network: W. K. Kellogg Foundation, Comerica, and Bank of America. LISC National has raised private funds from several sources, including Citi Foundation, Walmart Foundation, U.S. Bank, Annie E. Casey Foundation, and W.K. Kellogg Foundation. While LISC has had success in raising funds from private sources - an investment of Social Impact Bond resources could greatly impact the network's ability to expand to serve more participants in southeast Michigan and other areas of the state, particularly on the west side of the state where additional CWF programs are currently operating.

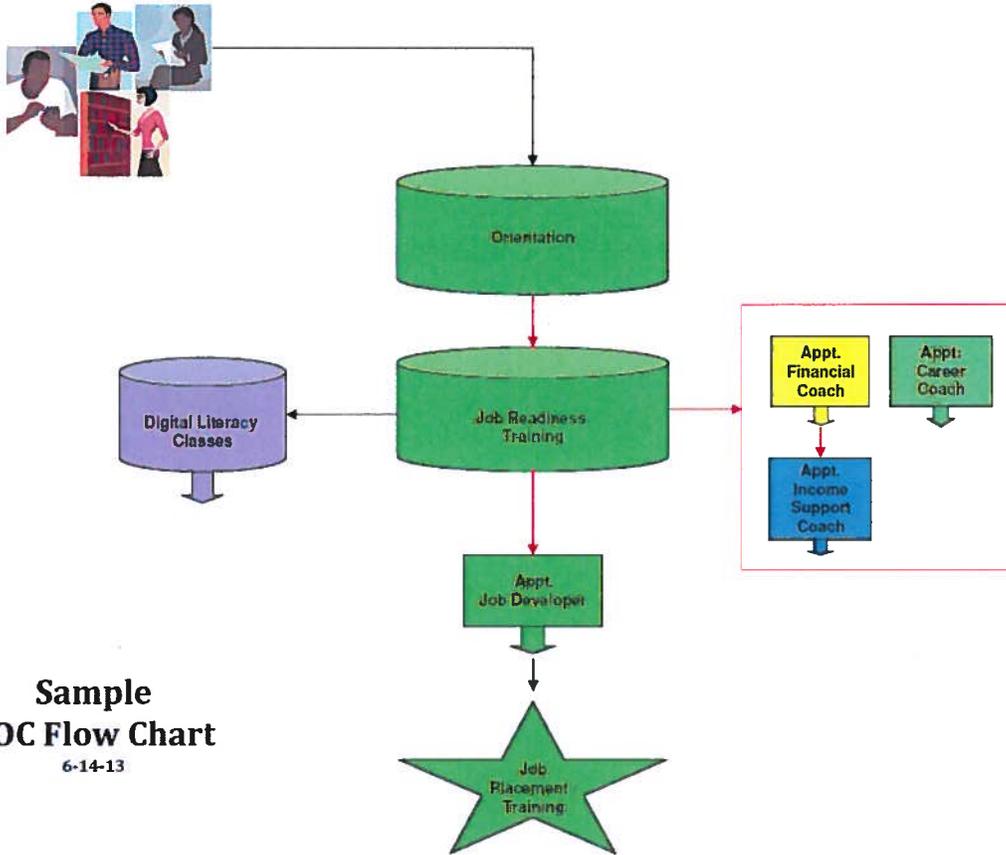
IX. Greater Detroit CWF Locations in the Greater Detroit Network:

- ACCESS - Dearborn, MI
- Focus: HOPE - Detroit, MI
- Goodwill Industries of Greater Detroit - Detroit, MI
- The Guidance Center - River Rouge, MI
- Lighthouse of Oakland County - Pontiac, MI
- Operation ABLE - Detroit, MI
- SER Metro-Detroit, Jobs for Progress - Detroit, MI
- Southwest Solutions - Detroit, MI

X. Appendix A: Client Flow Chart

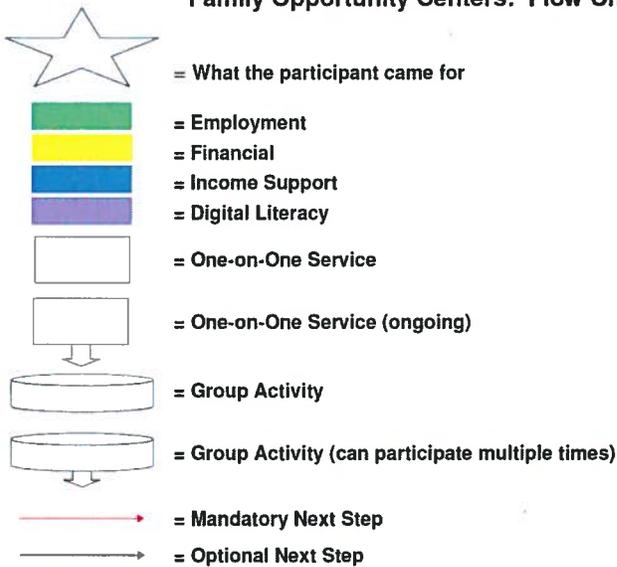
XI. Appendix B: Sample Report

Appendix A: Client Flow Chart and Key



Sample FOC Flow Chart
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Family Opportunity Centers: Flow Chart Key



For people in any program.

LISC-CWF Template

FFT Financial Services (Counseling and Workshops)	For the last month	For the report period
FFT FINANCIAL COUNSELING (FC)		
Total # new enrollees	1	66
Total # people who got at least one service	2	102
Total # active enrollees (as of end date of report)		967
Frequency of Contact (since enrollment, among people served during the report period)	For the report period	
	#	%
1 time exactly	15	14.7%
2-4 times exactly	67	65.7%
5 or more times	20	19.6%
FFT Combined Financial Assessments (CFAs)		
Total # people submitting baseline CFA with at least one tab completed	0	34
Baseline Profiles	0	19
Credit Reports	0	14
People with FICO Credit Score available	0	10
Budgets	0	20
Balance Sheets	0	19
Vision Statements	0	14
Medians (from baseline CFAs)		
FICO Credit Score		600
Monthly Income (Net of Taxes)		\$1,256.00
Monthly Expenses		\$1,487.00
Monthly Net Income (Net of Taxes)		(\$108.50)
Total Assets		\$2,050.00
Total Liabilities		\$1,000.00
Total Net Worth		\$0.00
Total # people due for a subsequent Credit Report pull at report period end		265
Total # of people submitting subsequent CFA...	1	37
People submitting subsequent CFA, date changed on at least one tab	1	37
Credit Reports	0	5
People with FICO Credit Score available	0	5
Budgets	1	33
Balance Sheets	0	4
Vision Statements	0	0
Key Financial Outcomes		
1. Total # people with at least one bureau showing an improved FICO credit score	0	5
People going from "unscored" to scored*	0	0
Range of Score		-
Average Score		
Median Score		
People going from a lower score to a higher score*	0	5
Range of Increase in Score		40 - 50
Average Increase in Score		48.0
Median Increase in Score		50.00
2. Total # people with Monthly Net Income (NI) going up	0	27
Range of Increase in NI		\$35.00 - \$22,750.00
Average Increase in NI		\$1,635.00
Median Increase in NI		\$700.00
People going from negative to "0" or positive NI	0	12
People for whom NI is up due to increase(s) in Income ONLY	0	26
People for whom NI is up due to decrease(s) in Expense ONLY	0	0
People for whom NI is up due to both increased Income AND decreased Expense	0	1

For people in any program.

LISC-CWF Template

3. Total # people with Net Worth (NW) going up	0	0
Range of Increase in NW	-	
Average Increase in NW		
Median Increase in NW		
People going from negative to "0" or positive NW	0	0
People for whom NW is up due to increase(s) in Assets ONLY	0	0
People for whom NW is up due to decrease(s) in Liabilities ONLY	0	0
People for whom NW is up due to both increased Assets AND decreased Liabilities	0	0
Total # people with at least one key financial outcome	0	31
FFT FINANCIAL WORKSHOPS (FW)		
Total # new enrollees	1	41
Total # people who attended at least one workshop	1	21
Total # active enrollees (as of end date of report)		856
FFT FINANCIAL SERVICES (Counseling and Workshops)		
Total # new enrollees	1	97
Total # people who got at least one Financial Service (Counseling or Workshops)	2	116
People who took part in Financial Workshops ONLY	0	14
Total # active enrollees (as of end date of report)		1,213
* The bureau with the largest improvement is used in these summary sections.		