

STATE OF MICHIGAN
SOCIAL IMPACT BONDS – PAY FOR SUCCESS BASED FINANCING
REQUEST FOR INFORMATION
PROJECT NUMBER: #0071141113B0000535

Dear Brandon Samuel,

The intent of this letter is to advise you of our interest in the State of Michigan Social Impact Bonds project. We are submitting a collaborative proposal for consideration.

Project Overview:

Grand Rapids based not for profits, LINC and The SOURCE are submitting this Request for Information to reduce felony recidivism by addressing the lack of housing and employment support for returning offenders in Grand Rapids. LINC is a highly qualified affordable housing developer having made improvements to over 700 units of housing over the past 10 years, additionally LINC has significant experience in connecting low-income populations in employment. The SOURCE operates a nationally recognized model of employment retention services that has been proven to be highly effective. The SOURCE and LINC believe there is an opportunity to significantly reduce recidivism by combining their expertise around a target population of returning offenders.

The SOURCE, in conjunction with 30/2/2, works with 20 companies directly and another 30 companies indirectly on issues of employment retention and issues related to hiring ex-felons. LINC and The SOURCE are able to partner to address employment and life barriers that cause ex-felons to reoffend. With over 20 years of cumulative experience working with this population we have found that there are specific issues that cause ex-felons to reoffend. Employment is only one of these factors. Housing, childcare, mental health, addiction and transportation are also critical issues needing to be addressed as they impact one's ability to maintain employment, dignity and freedom. The SOURCE and LINC will partner with other community resources to address these issues holistically, leveraging our expertise and networks.

LINC and The SOURCE will provide wrap around social services to this group which will support housing, retain employment and ultimately save money for the State Michigan. We will build into this model a mental health component to address the mental health and substance abuse barriers that those in this population may face. Additional resources and services will be provided to participants in a one-on-one service model to ensure that they are appropriate and relevant to each individual.

- ***Availability of performance measures for assessing outcomes.***

The SOURCE has the ability to track and report on performance measurements that calculate returns on investment and can demonstrate that its programs produce significant savings to its member companies and to the State. The yearly employment retention rate of welfare recipients within The SOURCE member network averaged 97.63% last year. The SOURCE provided an average ROI of 219% to its member companies for the retention and training services that it provided this past year. We also believe that we are able to transition more welfare recipients off of welfare entitlement benefits than any other organization in the state. We have requested additional data from the State of Michigan which will help to prove this assertion.

These calculations do not factor in the savings to the state produced by reducing recidivism – a problem that continues to put significant stress on the state finances. By combining the employee retention services of The SOURCE, and the housing experience of LINC, it is prudent to project significant savings to the state due to reduced recidivism as a result of continued employment of returning offenders.

The SOURCE, in conjunction with 30/2/2, is working with employers through the greater Kent County area to break down bias and assist with the attainment and retention of employment for ex-felons. This program creates networks and partnerships with the prison system, probation & parole, local intermediaries and employers, creating a closed feedback loop that eliminates siloed approaches to complex problems.

Returning offenders in the Greater Kent County area will be the target population. Measures to assess outcomes will include employment retention rates at 30, 60, 90 days, up to 2 years and the number of offenders who maintain stable housing. Simultaneously, the project will track the recidivism rates among clients served compared to returning offenders not in the program to demonstrate a return on investment to the state.

- ***A strong evidence base indicating that the intervention model is likely to achieve the outcome goal.***

Studies have shown that returning offenders with a job are less likely to return to jail (Cronin, Jake, 2011, “The Path to Successful Reentry: The Relationship Between Correctional Education, Employment and Recidivism” Public Policy Institute, Harry S Truman School of Public Affairs. Report 15-2011.) So targeting interventions to enhance long term employment is a prudent approach. This proposal has significant opportunity to enhance the effectiveness compared to other such efforts. It is the merger of the strategy to organizations with strong employer relationships, proven records in employment retention, and experience in providing housing.

In the 2004 report "Homeless Shelter Use and Reincarceration Following Prison Release," Stephen Metraux and Dennis Culhane examined the relationship between shelter use and reincarceration among a group of 48,424 prisoners released from New York state prisons to New York City from 1995-1998. The study found that 11.4 percent of the group entered into a homeless shelter and 32.8 percent of the group returned to prison. Metraux and Culhane conclude that the findings indicate a significant need for enhanced housing and related services for successful reintegration." (Dexter Slusarski, 2011, Michigan Policy Network)

- ***A sufficient and well defined participant base (at minimum, initiatives must serve 200 participants per year).***

The anticipated participant base for the project would be returning offenders (<2 years since release) who are unemployed or with less than 1 year job history at their current place of employment.

The SOURCE has an employee base of 7000 individuals working in our member companies. We do not intentionally seek to identify returning offenders from within our member companies, however, we have served over 50 previously incarcerated persons in this past program year. Likewise LINC currently serves approximately 50 members of this population with employment, housing and other services. By intentionally seeking out this population in our consortium, we can greatly increase this number and meet or exceed the 200 person minimum identified for the program.

- ***Ability to take the initiative to scale if results show that the initiative is working.***

The SOURCE, LINC, and the majority of the employers are located within a 3 mile radius. This program has the potential to be scaled to a larger geographic area in Grand Rapids or to other geographic clusters where non-profits, employers, and housing units are close to the bus line and to one another.

LINC and The SOURCE have strong connections to area businesses, social services, Department of Human Services and the Justice system. Given our connections and the economic and social costs of recidivism, we strongly believe that a successful program could be replicated at the County, Region and State level.

- ***Clear and identifiable state budgetary savings.***

Barrier resolutions, such as stable housing and retaining employment will reduce recidivism and save Michigan from spending general fund dollars on incarcerating repeat offenders. Stable employees also save our businesses money. The cost to turn an employee (fired or quit) is \$3,500 for a minimum wage unskilled worker. The higher the wage, the more expensive the turnover costs. The cost to imprison a reoffending felon is \$30,000+ per year. Ex-

felons struggle to find housing and employment. Without both, housing and employment, an ex-felon will most likely find his/her way back to prison.

Given the strong correlation between recidivism and employment and the exceptional record of employee retention at The SOURCE, a 20% reduction for program participants is a minimum standard for achievement. Given the costs of imprisonment a 20% reduction in recidivism among 200 participants would save the state over \$1.2 million a year.

This collaborative model will reduce recidivism in Grand Rapids and if replicated, has the potential to pact the State of Michigan at both a cost savings and social impact level.

In addition, LINC and The SOURCE are recipients of grants by the W.K. Kellogg Foundation. Both of our organizations were strongly encouraged by our program officers at the Kellogg Foundation to submit this RFI.

We appreciate your consideration of our proposal.

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