

MEMORANDUM



DATE: August 15, 2015
TO: Interested Parties
FROM: Ben Gielczyk, Senior Fiscal Analyst
RE: Community Ventures Program

This memo will provide background information on the Community Ventures (CV) Program included in the Michigan Strategic Fund (MSF) budget, which is now included within the Department of Talent and Economic Development.

Since FY 2012-13, \$9.8 million GF/GP has been included annually to support Community Ventures. The program's stated purpose is to provide funding to support initiatives for structurally unemployed individuals in distressed cities. According to the Michigan Economic Development Corporation (MEDC), the goals include fostering steady employment for participants, providing support services to participating employers, and improving job skill matches.

The program focuses on employment initiatives in Detroit (including Highland Park and Hamtramck), Pontiac, Flint, and Saginaw. On the employer side, any company could participate if it agreed to hire persons residing in the targeted distressed areas on a permanent, full-time basis. Participating companies are required to sign a contract to secure their hiring commitment with the MSF/MEDC.

The MSF/MEDC focused its efforts on those companies that were already looking to hire. The MSF/MEDC worked with Michigan Works! Agencies (MWAs) and other employment service centers to identify eligible structurally unemployed candidates for open positions offered by companies. As described by the program manual, a participant must exhibit at least one of the following eligibility criteria:

- Lack of education
- Lack of functional literacy
- Long-term disconnection from employment
- At or below the poverty line
- Ex-offenders
- At-risk youth
- Disabled

As an incentive to hire candidates prescreened by the employment agencies and the MSF/MEDC, the MEDC agrees to provide a wage reimbursement grant of \$5,000 per employee which is paid out over 12 months (\$500/month). The MSF/MEDC withholds 10% (\$500) of the overall grant until the employee has worked for one year.

The MEDC focuses on companies able to pay a living wage, defined as \$10.00/hour; hire on a full-time basis, defined as 30 hours per week; and hire on a permanent basis, as opposed to part-time or temporary. The stated goal of the program is to produce an average hourly wage of \$11.00. Recent data shows a program average hourly wage of \$11.20.

In order to incentivize longer term employment the MSF/MEDC also works with the employers, workforce agencies, and employees to develop supportive services for all parties involved. Through monthly reporting, companies are able to identify areas of need for employees hired under the CV program. For employees, the CV program offers additional training, education, and literacy, and transportation assistance to improve the prospects for long-term employment.

According to data released by the MSF/MEDC, as of May 2015, the program has resulted in more than 3,500 placements with more than 100 companies for structurally unemployed individuals. Furthermore, the average 12-month retention rate is approximately 69% (does not include FY 2014-15 due to 12-month retention window not being available), with an average wage rate of \$11.20 per hour. The following table provides annual statistics for the program since its inception:

	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015*</u>	<u>TOTAL</u>
Number of Participants Placed	74	1,146	1,329	1,003	3,552
Number of Participants Currently Retained	60	777	964	955	2,756
Employment Retention Rate	81.1%	67.8%	72.5%	95.2%	77.6%

**FY 2015 represents partial year through May 2015.*

The following is a breakdown of the Community Ventures participants by location since program inception:

Location	Placed	Retained	Retention Rate
Detroit	1,916	1,521	79.4%
Flint	515	351	68.2%
Pontiac	296	240	81.1%
<u>Saginaw</u>	<u>825</u>	<u>644</u>	<u>78.1%</u>
TOTAL	3,552	2,756	77.6%

In FY 2015-16, the program was continued in the MSF/MEDC portion of the Department of Talent and Economic Development budget at the same \$9.8 million GF/GP funding level. Program changes, if any, have not been announced. At this funding level, the MSF/MEDC will continue to limit the program to the four distressed cities noted above. In an effort to expand the program to all regions of the state, the MSF/MEDC indicated that it will seek out additional assistance from foundations and other private and public entities.

Basic program information can be found at this link:

<http://www.michiganbusiness.org/cm/Files/Fact-Sheets/CommunityVentures.pdf>