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Executive Summary

REDF

REDF, an existing grantmaking institution and sole intermediary, proposes an issue-based Social Innovation Fund project that focuses on the Economic Opportunity priority area. REDF's subrecipients are social enterprises, or mission-driven businesses that focus on hiring and assisting people who face barriers to work in communities nationwide. REDF will focus its efforts in low-income communities located primarily in the West, Midwest and the South. REDF will work collaboratively with its research partner to select, support, monitor and evaluate its subrecipients.

To increase economic opportunities for economically disadvantaged individuals, REDF respectfully requests \$23.75 million over five years from the Corporation for National and Community Service. REDF will demonstrate that it possesses cash-on-hand toward meeting 50 percent of its first year matching requirement (\$4.75 million).

REDF's 2015 SIF project proposes to significantly scale the number of people served by the evidence-based, social enterprise model, while continuously increasing its effectiveness by building on REDF's 2010 SIF Mathematica Jobs Study findings. Over a five-year period REDF will: 1) Invest financial capital and technical assistance into a diverse portfolio of clustered social enterprises and, in so doing, create the needed government, philanthropic and business support to continuously refine and share the best evidence-based approaches to achieving successful employee outcomes; 2) grow 6-8 social enterprise ecosystems to serve more beneficiaries and pressure test the model's viability in low-income communities nationwide, prioritizing California, the West, Midwest and the South; and 3) Advance the level of evidence to inform future improvement, and investment, in social enterprise.

For economically disadvantaged people who face significant barriers--including people who have been homeless; young adults disconnected from work and school; and people formerly incarcerated, or suffering from addiction, mental illness or other disabilities--finding a job and maintaining employment often requires overcoming limited skills, scarce resources and social stigma, alone and without help. REDF seeks to eliminate these barriers by investing capital and technical assistance into social enterprises that employ low-income people and teach them essential hard and soft skills so that they may successfully transition to sustainable, long-term employment.

REDF will ensure a competitive selection process by disseminating its web-based request for qualifications widely in California and new geographies to attract responses from a large number of

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diverse, qualified applicants. REDF will assess the organization's capacity and commitment to accept and use expertise, participate in a strong-level evaluation, adjust practice based on evidence, employ the target population, comply with CNCS-SIF requirements, and replicate and scale.

REDF will increase the level of evidence of social enterprises' effectiveness, from moderate to strong.

Since its founding, REDF has continuously surveyed the social enterprise, transitional job/workforce, business and impact investor fields for promising practices that can be adopted to improve the sustainability, scalability and cost-effectiveness of social enterprise.

REDF has helped start and scale more than 60 social enterprises in California; to date, these organizations have employed more than 9,500 people and generated over \$140 million in business revenue. REDF's core expertise includes: 1) providing grants and technical assistance, building enterprise and organizational capacity to advance mutually agreed-upon objectives; 2) rigorously evaluating grantees progress, examining REDF's contribution to their results, and making improvements to REDF's processes as a grantmaker in response to the findings; 3) tracking and evaluating outcomes and analyzing data to demonstrate the effectiveness and sustainability of social enterprise; and 4) synthesizing and sharing evidence and learnings locally and nationally, and in partnership with grantees, to promote the improvement and expansion of social enterprise.

Program Design

I. RATIONALE AND APPROACH

REDF, a 2010 Social Innovation Fund (SIF) grantee, proposes a renewed issue-based SIF grant that focuses on expanding economic opportunity for low-income people who face significant barriers to employment. In March 2015, the Department of Labor reported that the U.S. economy added 290,000 jobs in the previous month, exceeding expectations while extending an unbroken 59-month trend of job growth--the longest streak on record. While the jobs report came as welcome news to many economists, lawmakers and CEOs, many more people have yet to share in the prosperity of this economic recovery, nor contribute its success.

Research and REDF's experience demonstrate that jobs have the power to transform individual lives and entire communities. But for too many people--people who are unemployed but can and want to work--significant barriers to employment make finding a job and maintaining employment a persistent and daunting challenge. For 18 years, REDF has made it its mission to eliminate these barriers by creating job opportunities and career pathways for some of the most economically disadvantaged populations: young people who have dropped out of school, people who have been in

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prison or homeless, and those who live with mental health disabilities.

In 2010, the SIF, a program of the Corporation for National and Community Service (CNCS), awarded REDF \$1.5 million annually for five years to test the efficacy of social enterprise--a mission-driven business model that creates social impact for society--as a solution to one of our nation's most enduring and pressing challenges: chronic unemployment of economically disadvantaged individuals and families facing significant barriers to work.

REDF's SIF 2010 project exceeded its goals when it achieved its objective of 2,500 people in jobs 10 months before its proposed deadline; growing the impact of social enterprise across California, including igniting local government leading to a large-scale initiative in Los Angeles; improving the evidence base demonstrating social enterprise is an innovative, sustainable and cost-effective method to increase participation in the workforce; and producing an ambitious plan for broad replication to provide a pathway out of joblessness for many thousands more people nationwide.

SIF's investment made possible REDF's preliminary expansion into the Los Angeles region--through the creation of REDF's Southern California portfolio--which provided 6 high-performing social enterprises with essential capital and TA to fulfill their core purpose: preparing economically disadvantaged people to succeed in sustainable, long-term employment by providing transitional employment opportunities matched with a suite of supports.

Findings from the resulting Mathematica Jobs Study (MJS) affirmed that social enterprise is an innovative, scalable and cost-effective approach to expanding economic opportunity to low-income people who face significant barriers to employment. Prior to starting work at a social enterprise, 25 percent of MJS participants never had a job, 85 percent did not have stable housing, and 71 percent of their income came from government benefits. About one year after hire, 51 percent of MJS participants were still working, their average monthly income increased 268 percent, housing stability tripled, and income from government went down to 24 percent. While the MJS Cost-Benefit Analysis showed positive returns for society (\$2.23) and taxpayers (\$1.31) for every \$1.00 spent, the costs of improved self-sufficiency for the worker outpaced their income gains and drop in government benefits by \$165. MJS provides attributions and implementation insights to remedy this challenge. Positive impacts increase with duration of employment and on-going engagement in supports after leaving the SE. Strengthening the employment pipeline, the employee's transition into the mainstream labor market, and continuous skill building can close this gap in the long term. While there is a growing awareness that workers near the poverty line suffer from a phenomenon called the "benefits cliff"--lost benefits due to increased income--MJS provides new insight into the severity of the problem and

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variation by market that will be valuable in REDF's next steps to innovate solutions for the field.

The cluster of 3 REDF portfolio enterprises and the existence of several mature SEs in LA provided REDF a new opportunity to organize and initiate a coordinated effort to amplify the power of social enterprise by engaging the larger public and private systems critical to scale and sustainability. LA: RISE is a REDF-advised 2014 Workforce Innovation Fund project that builds upon the learnings of REDF's 2010 SIF expansion to Southern California. The project brings together Los Angeles-based social enterprises; small-, medium- and large-sized traditional employers; human services organizations; and public and private funders to form a collaborative "ecosystem" of stakeholders that harness their multiplicative power to help low-income people who face significant barriers transition to long-term employment. In this ecosystem, social enterprises engage traditional employers to determine and fill their need for highly qualified, ready to work candidates. Supporting this "employer continuum"--where social enterprises prepare low-income workers with essential hard and soft skills and transition them sustainable, long-term employment--are human services organizations that provide services to help workers succeed.

REDF's 2015 SIF project proposes to significantly scale the number of people served by this evidence-based model, while continuously increasing its effectiveness by building on the MJS findings and LA: RISE experience. Over a five-year period REDF will: 1) Invest financial capital and TA into a diverse portfolio of clustered social enterprises and, in so doing, create the needed government, philanthropic and business support to continuously refine and share the best evidence-based approaches; 2) grow 6-8 social enterprise ecosystems to serve more beneficiaries and pressure test the model's viability in low-income communities nationwide, prioritizing California, the West, Mid-West, and the South; and 3) establish strong evidence to inform future improvement and investment in social enterprise.

Millions of working-age adults remain in poverty despite the changes to workforce and welfare policies of the 1990s. About 20 million of these adults face significant and multiple barriers to employment, including disabilities, histories of incarceration, periods of homelessness, and/or no high school diploma (Genz 2012). These groups of people face extraordinarily high rates of unemployment, exceeding 50 percent. There is also a notable racial bias to these unemployment rates -- overall 13.4 percent of African Americans are unemployed nationally compared to 7 percent of whites (Bureau of Labor Statistics 2012), and 86 percent of those defined as chronically homeless are African American (U.S. Department of Labor 2012). An analysis of data on veterans noted that "Veteran status and black race significantly increased the risk for homelessness for both men and women" (Fargo et al.

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2012). Low rates of workforce engagement result not only in poverty, but also in significant public expenditures ranging from the costs of law enforcement and incarceration to emergency, entitlement, and safety net services. Society also foregoes the tax revenues, social benefits, and other positive contributions that would accompany their gainful employment. For these individuals, persistent poverty exacerbates and protracts already difficult circumstances (Jin et al. 1995) (Price et al. 2002).

Additionally, limited access to employment (and often to education) not only results in significant financial and personal costs but ultimately constricts social mobility and civic participation, in many cases for multiple generations. For most adults, work is key to social identity and status by providing a person with a role and social connections in addition to income. There is strong evidence that income or socio-economic status is a powerful "social determinant of health" and that people with the lowest incomes are more likely to become sick and die early than people with higher incomes, even when studies control for individual-level health risk behaviors. Employers are often reluctant or uninterested in hiring people with significant barriers, view them as a risk, and attempt to screen them out of hiring processes. When hired, they are less likely to retain jobs or advance, often because of their limited exposure to workplace settings; underdeveloped work habits; interpersonal skills; or economic, health or personal crises that interfere with work. Employers have limited tolerance for these challenges among their frontline workforce and consider high turnover a routine cost of doing business. As a result, these individuals remain on the outskirts of the workforce with limited access to education or training.

One of the most common and well-funded workforce development interventions is the Workforce Investment Board (WIB) system which provides job search support and subsidized employment to more often than not dislocated workers. However, people who face the most significant barriers to work often receive inadequate support to address their needs due to three systemic challenges pervasive in the traditional workforce system: incentives for placement and wages, program effectiveness and sustainability. First, to qualify for continued workforce funding, WIBs are held accountable for the number of people placed into jobs and the wages they obtain. This creates an unintended incentive to prioritize more job ready individuals who have a better chance of obtaining a high wage employment. Inevitably, this means that people with histories of incarceration, homelessness, mental or physical disabilities or substance abuse are overlooked and soon slip through the cracks.

Second, people who face significant barriers and are placed into a job are often unable to retain their job because they do not possess the necessary skills to succeed in the workplace. Because

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traditional workforce agencies are indirectly incentivized to focus on more job ready individuals the program design of the agencies are focused on basic job readiness skills and don't address mitigating an individual's significant barriers to employment. Beneficiaries need more than basic job readiness alone; they need paid on-the-job experience and guidance from supervisors who will help them correct mistakes, address performance problems and build basic skills and habits of consistent attendance, punctuality, professionalism, communication and attitude.

Third, workforce agencies may offer to partially or wholly subsidize a potential employees' wages for a short time to encourage the employer to take a chance on a candidate who might not otherwise be considered. But this funding is limited and in order for the sponsoring agency to successfully place jobseekers, it must cultivate a reputation for recommending qualified and trustworthy people who are ready to work. To build its reputation the agency often vets its applicant pool for high quality candidates effectively screening out people who face significant barriers to employment.

For economically disadvantaged people who face significant barriers finding a job and maintaining employment often requires overcoming limited skills, scarce resources and social stigma, alone and without help. REDF seeks to eliminate these barriers by investing capital and TA into social enterprises focused on hiring and assisting low-income people who are willing and able to work but have the hardest time getting jobs. Social enterprises earn and reinvest their revenue to provide more people with wage-paying jobs and employee supports that help build essential skills, increase job retention and transition to sustainable, long-term employment with opportunities to advance. In doing so, they enable people to realize their full potential through a more financially sustainable and cost-effective model than many workforce development programs.

Social enterprise employees in REDF's Jobs Study increased their employment rate from 18% to 51%, income increased 268%, and housing stability increased to 85%. Social enterprise generates \$2.23 in returns for society for every \$1.00 dollar spent by social enterprise. This figure includes benefits of \$1.31 to taxpayers from reductions associated with costs of dependency on government benefits and negative behaviors related to violence, crime and deteriorated relationships to family to community. REDF will invest in nonprofit social enterprises that offer a paid employment experience with training, mentorship and supports, including connections to education for economically disadvantaged individuals who face multiple barriers to work.

REDF will offer a number of value-add services that support the financial health and programmatic effectiveness of its subrecipients and their social enterprise ecosystems in addition to its

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financial investments. REDF will grow existing social enterprises to expand their capacity to serve more beneficiaries through TA and will advise social enterprises on how to leverage pay for performance and social impact bond funding.

REDF will add value to subrecipients by brokering new partnerships with competitive businesses of all sizes to create more opportunities for people who face barriers to work. Employers of all sizes rely on local suppliers to deliver quality goods and services as well as a renewable corps of qualified workers to carry out essential functions. As local suppliers, social enterprises can match this demand for goods and services, while offering the additional benefit of preparing a reliable stream of vetted workers: beneficiaries who have mastered foundational work skills in a supportive social enterprise work environment. REDF will help social enterprises partner with a variety of employers that need locally-sourced goods and services; prepared entry-level workers; and are willing to hire people who are qualified, but whose background might otherwise preclude their consideration as potential employees. Employers will support the model by incorporating social enterprises--and other businesses that are providing people who face significant barriers with the opportunity to work--into their supply chain.

Based on the moderate level of evidence achieved in the MJS that shows improvements in employment rates, earnings, and housing stability outcomes for beneficiaries and REDF's successful preliminary expansion of the social enterprise model into low-income communities in Southern California, REDF believes that the social enterprise model is innovative, appropriate for the problem, aligned with REDF's theory of change and can expand economic opportunity for low-income individuals and communities.

REDF proposes to build further evidence of social enterprise effectiveness by applying lessons learned from the first SIF evaluation to its practice in current and future geographies. This program will accomplish several objectives simultaneously. First, REDF will employ 10,000 low-income people who face significant barriers to employment. Second, REDF will foster dense ecosystems of social enterprises, government partners, support providers, and workforce services to ensure maximization of existing resources and tighter connections between entities that will result in a more seamless experience for the beneficiary. Third, REDF will introduce and attract new funders, including local and state governments, to social enterprise thereby improving the long-term financial sustainability of the model beyond the life of the SIF grant. Fourth, REDF will learn, codify and broadly share through convenings/trainings, REDFworkshop.org, and the SE4Jobs network best practices for growing and managing a sustainable social enterprise that prepares beneficiaries for a successful transition to stable,

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long-term employment. We will establish employer partnerships/build career pathways. Fifth, REDF will invest in the most effective models, partnerships, and incentives that strengthen the career advancement opportunities and long-term earnings potential for social enterprise workers.

Taken together, these ambitious but achievable goals will advance knowledge about the effectiveness of social enterprise as a vehicle to lift many thousands of underserved, chronically unemployed low-income individuals from poverty.

By the end of the project, REDF's proposed activities will increase knowledge about the effectiveness of social enterprise on expanding economic opportunity for low-income individuals facing the greatest barriers to employment. REDF will build on the moderate-level evidence of the success in the MJS with an evaluation that provides strong evidence for the expanded employment pathway model. Our primary outcomes that define success will be related to employment and our secondary outcomes will build on the preliminary finding in the MJS that health outcomes might improve for social enterprise workers focusing on behavioral health indicators that employment might affect. Although we anticipate that a single, well-implemented and well-designed, multisite randomized control trial (RCT) will provide evidence of success in these areas, we recognize from several high quality RCTs or quasi-experimental designs (QEDs) may be needed.

Building on REDF's preliminary expansion, in 2014, the City of Los Angeles won a \$6 million Workforce Innovation Fund grant (LA:RISE) to increased sustained employment for job seekers with significant barriers to employment while reducing turn-over cost for employers that supplements REDF's efforts in Los Angeles. As a lead, non-grantmaking partner, REDF is responsible for programmatic management, which entails providing TA to social enterprises, oversight of the working committee and publishing a roadmap for the project. REDF's early SIF investment in Los Angeles serves as a foundational anchor of the LA:RISE project.

II. PROPOSAL FOR SUBRECIPIENT SELECTION

To expand economic opportunity for low-income people who face significant barriers to employment through social enterprise, REDF will define several priority geographic ecosystems (e.g. cities, counties, or metro regions) in the West, Mid-West, and the South and hold an open competition to social enterprises in these geographies. REDF's seeks to make subawards to mature, high-performing social enterprises that are focused on creating job opportunities and career pathways for economically disadvantaged people.

Collectively, the awarded social enterprises will become a portfolio.

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REDF will identify the location of potential ecosystems based on the following conditions: 1) a demonstrated employment need for our target population that is not being sufficiently met by other programs; 2) private funders who are willing to make a sustained commitment to provide match; 3) the presence of a fertile political environment defined by state, county and city lawmakers who want to support hiring and procurement from local social enterprises; 4) vocational programs or community colleges that are interested in partnering to bridge the skills gap; 5) preexistence of social enterprises that are ready to scale with financial and technical assistance to collectively employ 1225 people, and 6) the presence of mainstream employers who are willing to partner in the effort to create long-term career pathways and provide a successful transition out of social enterprises.

To ensure that the subrecipient selection process is competitive, REDF will disseminate its web-based Request for Qualifications (RFQ) widely in California and new geographies with sufficient notice to generate responses from a large number of diverse, qualified applicants. REDF will also host a "pre-bid" technical assistance webinar to ensure that potential respondents are sufficiently informed of the process and selection criteria.

REDF staff and outside experts will review submitted qualifications to identify respondents to advance to the Deep Screen due diligence phase, which incorporates interviews with respondents and their references, site visits, and document review. Successful respondents will advance to the Trial Project phase that emulates a grantee relationship over a short period of time. REDF will make a small grant; conduct a strategic business assistance project; review measurement, data, and financial management systems in detail; and observe the nonprofit organization's leadership, culture, and decision-making process. REDF will assess the organization's capacity and commitment to accept and use expertise, participate in a strong-level evaluation, adjust practice based on evidence, employ the target population, comply with CNCS-SIF requirements, and replicate and scale.

REDF will make 20-40 subawards in amounts that range from \$100,000 - \$500,000 to nonprofit social enterprises.

REDF has designed its RFQ to determine prospective subrecipients' fit with REDF's theory of change and contribute to REDF's outcome measures by gathering information about the following 8 key criteria: 1) a strong theory of change, rooted in evidence-based practices; 2) a commitment to participate in a RCT and using evidence to inform the program as demonstrated by existing evidence of impact or robust organizational use of data and measurement systems to drive decision-making; 3) a commitment to employing low-income people with multiple barriers to employment; 4) demonstrated social enterprise experience; 5) organizational and fiscal stability; 6) organizational

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capacity with respect to budget size, revenue composition, federal award management, staffing and history; 7) validation that the program has potential to scale and serve a minimum number of people; and 8) capacity/ willingness to prioritize the long-term career progression of beneficiaries into program design. REDF also looks for an organization's participation in national networks that would facilitate replication and scale.

REDF's selection process will consist of RFOs for subrecipients (in Northern California, Southern California and 1-3 new geographies), and an additional RFO for a research partner, within a period of six months. Depending on the number and size of subawards that REDF makes within each geography, REDF may launch an additional RFO. Months 1-2: Draft and launch subrecipient and evaluator RFOs. Month 3: Response period, evaluator selected. Month 4: Basic and Deep Screens. Months 5-6: Trial Projects. Month 6: Subawards distributed.

REDF has an eighteen-year track record of identifying and selecting subrecipients with strong impact potential. REDF's portfolio is home to many high-performing social enterprises; two standouts are Chrysalis and Center for Employment Opportunities (CEO). Since 2011, REDF has invested over \$1 million to scale Chrysalis' street cleaning and property management social enterprises, and increase its impact by strengthening its employment support programs to improve beneficiaries' job readiness. With hands-on TA from REDF, Chrysalis employs over 650 low-income people annually; uses data analysis as part of its decision-making and program planning processes; and has hired job developers to support their employees in finding an external job placement. Similarly, REDF has invested \$880,000 in CEO to fund its expansion into California and demonstrate the strength of its existing model in new locations. REDF has helped CEO build their capacity by providing over 16 business assistance projects, including: regional assessments to select new CEO site locations; new double bottom line financial statements to better assess business and social costs in order to demonstrate cost-effectiveness of their program; and piloted enhanced employee support assistance, including feasibility of payroll cards, retention analyses, and goal setting to increase program impact.

REDF has honed its due diligence process to effectively assess organizational readiness and capacity to operate and sustain social enterprises. REDF's due diligence framework has been presented to fellow California-based philanthropies in panels at the Northern California Grantmakers and Southern California Grantmakers conferences. As further evidence of REDF's proficiency in assessing subrecipient readiness and capacity, REDF has been engaged by other funders to vet potential social enterprise investments.

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To allocate larger grants to subrecipients with higher levels of evidence, REDF will examine a subrecipients' level of evidence of effectiveness, its opportunity to grow and its capital need to determine REDF's level of investment. Using this framework, REDF will ensure that subaward amounts will pace with growth and demonstrated impact.

III. PROPOSAL FOR EVALUATION

Building upon the demonstrated moderate evidence of the efficacy of social enterprise within the Mathematica Jobs Study (MJS) conducted for our current SIF portfolio, REDF is committed to expanding this level of evidence. By extending our focus on the social enterprise model beyond California borders and designing an ambitious formal evaluation, we aim to produce strong evidence of impact by the end of our grant period. Toward this end, for our 2015 SIF request we will select and partner with an evaluator with exemplary qualifications in designing and implementing large, multisite experimental and quasi-experimental evaluations, and in providing technical assistance (TA) to and engaging community organizations in research and data collection. This third-party evaluator will partner with REDF and subrecipient organizations to collaboratively pursue the strongest possible evidence on the efficacy of social enterprise in improving the lives of people in low-income and philanthropically underserved communities.

This section of the proposal provides details of how we will expand the level of evidence shown in the MJS. It describes our capacity to ensure a successful evaluation (Section A), how we will assess subrecipient applicants for their capacity to implement a rigorous evaluation (Section B), our plan to assess needs for and provide evaluation TA to subrecipients (Section C), how our budget will support the evaluation (Section D), and how the evaluation strategy will result in an increased level of evidence (Section E).

A. Ensure successful evaluations

One of REDF's hallmarks is its dedication to measuring social impact and using that data to improve practice. Since 1998, REDF has a proven track record managing and supporting evaluations of the social enterprise model as well as contributing new methods to measure impact. Between 1998 and 2008, REDF partnered with the evaluation firm BTW Informing Change (BTW) to evaluate the impact of social enterprises on the lives of employees for up to two years after hire. This pre- post-survey evaluation resulted in the earliest available data on the impact of social enterprise employment for REDF's target population of low-income people facing significant barriers to work. While

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promising, this evidence had the limitations associated with preliminary evidence. In 2000, REDF published its work creating an innovative new method for measuring impact deemed Social Return on Investment (SROI), which continues to be refined and used by the global impact investment sector today.

With the preliminary evidence generated by the BTW evaluation, REDF obtained its initial SIF award and partnered with Mathematica Policy Research to design and implement the MJS, a mixed methods Subrecipient Evaluation Plan (SEP). Committed to increasing the level of evidence available, REDF successfully revised its SEP in 2014 to obtain a moderate-level of evidence by adding a quasi-experimental design Impact Study and a Cost-Benefit Analysis. The study's final report was released in 2015, achieving its targeted evidence level. During the entirety of the MJS period (2011-2015), REDF and Mathematica met bi-weekly to ensure the project's success. REDF played an active role implementing MJS, working collaboratively with Mathematica to contribute to the study's data, findings, and methods, including:

- Increasing data-driven decision making research by adding a survey to the Implementation Study: Data and Decision Making: Same Organization, Different Perceptions (Maxwell, Rotz, Garcia 2015);

- Facilitating new methods for surveying highly mobile population to exceed the MJS Outcome Study targeted response rate; and

- Designing methods for and collecting cost data for MJS Cost-Benefit Analysis.

REDF is dedicated to sharing results with subrecipients to encourage applied learning and improve program practices. REDF has found it essential to produce both aggregate and subrecipient-specific reports, meeting regularly with subrecipients to influence and support their efforts to make data-driven decisions. During MJS, REDF leveraged the monthly subrecipient Venture Committee (VC) meeting to engage program and organizational leaders on a quarterly basis to share and discuss MJS data to the fullest extent allowed based on the governing Internal Review Board (IRB) rules. To prepare for the release of the MJS Interim and Final Reports and support on-going improvement, the VC meetings are used to introduce and practice learning organization principles and build subrecipient data-driven decision making capacity. REDF held subrecipient convenings in conjunction with the release of each of the MJS reports to disseminate and discuss the findings as a group and leverage peer-to-peer learning. Specific action steps were identified with each subrecipient, integrated into their annual work plans, and progress is regularly monitored during VC meetings. In regranting documents prepared at the close of 2015, REDF identified clear expectations of subrecipient

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participation in applied learning and data-driven discussions for the benefit of both peer cohort and broader sector-building engagement regarding lessons learned.

REDF seeks to continuously improve as an organization committed to learning in order to bolster the social enterprise model. Based on its 2010-2015 SIF experience and the MJS results, REDF has crafted a 2016-2020 growth plan that is responsive to the challenges identified in MJS to further scale and improve the effectiveness of REDF's services and the social enterprise model.

REDF has demonstrated both strong staffing and practices to support planning and supervision of independent third-party evaluation, and will continue to adhere to the highest possible technical standard. In 2012, REDF hired Christina Garcia as Director of Evaluation and Knowledge to further strengthen its evaluation capacity and use of data for performance management. Ms. Garcia has successfully managed the MJS implementation for REDF, participates in SIF's Evaluation Working Group, and established a new Learning & Impact department that has led the integration and dissemination of MJS findings internally, with REDF's subrecipients and the broader field. Now serving as Managing Director of Strategic Advancement & Public Affairs, Ms. Garcia liaises as REDF's SIF Project Director and will continue in this role for the renewal period, continuing to ensure high-quality execution and integration. The Learning & Impact department, led by Kristin Lardas, oversees REDF's evaluation work and advises the Programs Team on evaluation efforts in the field to maximize alignment and value. Ms. Lardas' experience in managing program data migration and systems design enhances REDF's capacity for results-orientation and analysis throughout the study's evolution.

B. Plan to assess subrecipient applications for evaluation potential

Selecting a portfolio of subrecipient organizations with the willingness and capacity to become highly engaged partners in evaluation is of utmost importance for REDF to expand the evidence of the success of social enterprises. REDF will ensure the organizations selected have the capacity to participate in the evaluation by (1) structuring our request for qualifications (RFQ) to require applicants to demonstrate this capacity and commitment to participate in a rigorous evaluation and by (2) drawing on the expertise of our research partner in selecting our SIF portfolio.

1. Criteria for evaluating proposals

Our criteria for evaluating proposals will award points to applicants that demonstrate an ability to participate in a randomized controlled trial (RCT) impact study, and indicate agility as a partner in

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data collection efforts. The RFP will request that applicants demonstrate capacity to meet criteria required for inclusion in an RCT, including the following:

-- Oversubscription. Subrecipient organizations must have the capacity to generate a control group that is identical to the group of program participants if differences in outcomes between them following social enterprise employment can be attributed to the program. To create a control group, the number of jobs available at a social enterprise must be fewer than the number of eligible applicants, with the enterprises denying services to some of the eligible applicants. Those denied the opportunity to work in a social enterprise will comprise the control group for the evaluation and those offered work comprise the treatment group.

-- Willingness to randomly assign eligible people the opportunity to participate. Subrecipient organizations must be willing to randomly assign individuals to the treatment and control groups. Random assignment is the only way to ensure that members of the treatment and control groups are identical.

-- Sufficient contrast. Any services offered to members of the control group must be distinct from the social enterprise experience. If members of the control group receive services (either from subrecipients or elsewhere) similar to those received by members of the treatment group, it will limit the ability of the evaluation to assess the effectiveness of the social enterprise model.

-- Commitment to evaluation. Subrecipient applicants will be required to sign a form acknowledging that the organization is committed to working with REDF and our research partner to implement an evaluation. The head of the organization and director of the social enterprise must sign the form. It will specify that the organization will participate fully in the following activities, if requested: collecting data from both social enterprise workers and the control group; facilitating data collection on such workers by a third-party research partner; using a lottery to select social enterprise workers; and securing consent from social enterprise workers and members of a control group. In addition to these criteria, we might set criteria that would help select subrecipient organizations that could participate in an experiment designed to evaluate efforts to stimulate participation in social enterprise employment. Such an experiment might, for example, test whether subsidizing wages or income in post-social enterprise employment might facilitate transition into unsubsidized employment.

Key challenge: Finding an adequate number of organizations using the social enterprise model that have the ability to serve (and turn away) a large number of people to meet sample size requirements

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(see Section E)

Solutions: Recognizing the potential need for tradeoffs in building a portfolio suitable for both expanding the social enterprise model and evidence on its efficacy (for example, by adjusting the number of organizations to meet the sample requirements of the evaluation); engaging the research partner in choosing subrecipients to ensure that our decisions support the evaluation

2. Involve research partner in selection of subrecipients

In addition to the REDF's internal rigor in evaluating applicants reflected above, REDF will engage the expertise of its research partner to corroborate applicant capacity, readiness and agility to participate in the evaluation as designed. Within two weeks of confirmation of a 2015 SIF grant, REDF will post a request for qualifications for a research partner and will require responses to the solicitation within three weeks. This accelerated time line will ensure that the research partner is engaged with ample time to inform subrecipient selection per readiness targets.

We will use a three-step evaluation process for selecting subrecipient organizations. In the first step, we will identify applicants that meet the minimum bar for becoming part of the SIF portfolio. In the second step, the research partner will rate each of the qualified applicants on its ability to participate in a rigorous, random-assignment evaluation. In the third step, we will use the input from the research partner to select applicants.

C. Plan to provide TA to subrecipients

We will work closely with our chosen research partner to provide TA to ensure that the social enterprise program model is implemented with fidelity and that data collection and evaluation processes are conducted with rigor. REDF staff will lead TA efforts that enrich the program model and our research partner will lead the provision of TA that builds an organization's capacity to collect and use valid data. Close communication between the partners will ensure that TA is not duplicative or overly burdensome for subrecipient organizations. This process was effective in our original SIF grant.

Differences in program processes and structures necessitate shaping TA to build a common understanding of the program model and the value of collecting and using data to help people from low-income communities (Maxwell et al. 2015). During the initial few months after selecting the subrecipient organizations, we will use webinars, a convening, site visits, and telephone conversations to familiarize ourselves with each social enterprise's structures and supports, program model, target

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populations, resources, and capacity to randomly assign clients to social enterprise employment. Such information will provide the knowledge necessary to not only structure effective TA but also to design a rigorous evaluation.

Our process for providing TA will involve three core components, although the characteristics, knowledge base, and challenges facing the organizations selected will determine the exact form of the components:

1. Provide dedicated site liaisons for program and research. Both REDF and the research partner will provide a site liaison dedicated to developing a subrecipient's capacity. Both liaisons will be available to the site at all times. Together, they will solve challenges that span program and research dimensions.

2. Train organizations as partners in the evaluation. Organizations will have to be prepared to collect the consent forms and data necessary for an evaluation and to use a random assignment tool to determine people who will be offered the opportunity to work in the social enterprise. Our research partner will develop training materials for organizations and work with their staff to ensure they have the processes in place to support a rigorous evaluation. Such efforts will minimize the burden placed on subrecipient organizations and include, but not be limited to, the development of site-specific random assignment procedure manuals and in-person trainings. The site liaisons will work with each organization to integrate research processes into existing systems: they will train the organizations to provide regular reports on random assignment, monitor random assignment processes themselves, and report issues in a timely fashion. Site liaisons will also regularly review random assignment monitoring data to further ensure the timely recognition and resolution of any issues.

3. Build subrecipients' capacity to use data for continuous improvement. In addition to assisting sites in solving immediate problems relevant to the current evaluation, TA will be designed to develop the skills of staff at subrecipient organizations in collecting, analyzing, and using data. We will seek to educate these staff about best practices, rather than simply ensuring these practices are followed. In this way, TA will also serve CNCS' longer-term goal of building an organization's capacity to engage in data-driven decision making.

Key challenge: Providing TA that ensures fidelity to a consistent program model and a rigorous evaluation, while accommodating existing program operations

Solutions: Recognizing the potential need for tradeoffs in building a portfolio suitable for both

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expanding the social enterprise model and evidence on its efficacy (for example, by adjusting the number of organizations to meet the sample requirements of the evaluation); engaging the research partner in choosing subrecipients to ensure that our decisions support the evaluation.

D. How the budget will support the cost of evaluation

REDF is committed to devoting the monies necessary to expanding the evidence of success of the social enterprise model. We will commit the equivalent of 25 to 30 percent of the federal SIF award to the evaluation. Furthermore, we recognize that the costs of the evaluation might escalate based on the best design option and the number of sites and participants.

Key challenge: Using resources efficiently and not letting evaluation costs escalate.

Solutions: Building a strong communication plan with the research partner to ensure that challenges that arise are identified early; working collaboratively with the research partner to effectively triage problems as they arise; developing a detailed evaluation design at the outset that includes instrument development and pretesting to ensure all stakeholders understand the parameters of the evaluation

REDF will fund an evaluation that provides strong evidence of success as captured by three distinct evaluation components.

1. A study that provides strong evidence of impacts on employment outcomes. Although we plan for a single, multi-site impact study, we will provide funding for a more expensive design if necessary to build strong evidence of the success of the social enterprise model.

2. A modest implementation study that will establish fidelity to the social enterprise model. The evaluation funded as part of our original SIF grant included an implementation study that identified best practices in the social enterprise model (Maxwell et al. 2013). This research provided us with vital information that enabled us to build a stronger social enterprise program model in the organizations that this SIF funding request will fund. That research need not be replicated. Instead, the implementation study funded in this round will be more modest and focus on ensuring each organization's fidelity to the program model and research design and developing an understanding of the services received by the control groups. Such information is essential to interpreting results of the impact study and adding insights into the unfolding of the enhanced social enterprise program model.

3. A cost-benefit analysis (CBA) that estimates the rate of return that various stakeholders gain

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with a strengthened social enterprise model. The CBA will enable us to provide evidence on the value of social enterprise employment to society, businesses, households or families, and workers. The CBA will extend the findings from the MJS to include any enhancements to the social enterprise model, such as employment pathways to increase the employment success of workers after they participate in the social enterprise (Maxwell et al. 2013). In addition, this round of SIF funding will include a more in-depth CBA. For example, examining more domains in which benefits can occur, such as those in the area of behavioral health.

Key challenge: Using resources efficiently and not letting evaluation costs escalate

Solutions: Building a strong communication plan with the research partner to ensure that challenges that arise are identified early; working collaboratively with the research partner to effectively triage problems as they arise; developing a detailed evaluation design at the outset that includes instrument development and pretesting to ensure all stakeholders understand the parameters of the evaluation

E. Increased level of evidence

We will build on the MJS findings of moderate-level evidence of the success of social enterprise with an evaluation that provides strong evidence for the expanded employment pathway model. Our primary outcomes that define success will be related to employment: increased unsubsidized employment, increased wages, employment retention, and reduced reliance on public funding (for example). Our secondary outcomes will build on the preliminary finding in the MJS that health outcomes might improve for social enterprise workers and focus on behavioral health indicators that employment might affect (for example, well-care visits, exercise, smoking cessation, and reduced use of drugs and alcohol). Although we anticipate that a single, well-implemented and well-designed, multi-site RCT will provide evidence of success in these areas, we recognize it might result from several high quality RCTs or quasi-experimental designs (QEDs).

A well-designed, multi-site RCT will provide the strongest possible evidence. Our power calculations highlight the value of a larger-scale evaluation (Table 1): pooling data from several sites results in much more statistical precision. Current estimates suggest that a typical social enterprise might employ 75 people annually (based on monthly reports from Mathematica to REDF in 2014). Thus, an ideal evaluation will contain a subset of the subrecipients (a minimum of eight organizations) of this size and a comparison group of 320 people. We do not anticipate that a single

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site would be able to serve a sufficient number of people to ensure the same level of power. During 2014, the largest organization in our SIF portfolio employed 235 workers. Even if such a site could produce a control group containing 150 people, our minimum detectable impact would be 50 percent higher than that estimated for the multi-site evaluation.

Table 1. Minimum detectable impacts, by sample size and outcome

For a Sample Size with a Treatment Group of 600 and a Control Group of 320:

-- MJS Primary Outcomes of Proportion employed: 0.097 and Proportion in stable housing: 0.100

-- MJS Secondary Outcomes of Total monthly earnings: \$153, Total monthly income: \$145, and Health Index (standard deviation units): 0.201

For a Sample Size with a Treatment Group of 300 and a Control Group of 150:

-- MJS Primary Outcomes of Proportion employed: 0.140 and Proportion in stable housing: 0.145

-- MJS Secondary Outcomes of Total monthly earnings: \$221, Total monthly income: \$209, and Health Index (standard deviation units): 0.291

For a Sample Size with a Treatment Group of 235 and a Control Group of 150:

-- MJS Primary Outcomes of Proportion employed: 0.146 and Proportion in stable housing: 0.151

-- MJS Secondary Outcomes of Total monthly earnings: \$231, Total monthly income: \$218, and Health Index (standard deviation units): 0.304

For a Sample Size with a Treatment Group of 75 and a Control Group of 40:

-- MJS Primary Outcomes of Proportion employed: 0.273 and Proportion in stable housing: 0.283

-- MJS Secondary Outcomes of Total monthly earnings: \$433, Total monthly income: \$409, and Health Index (standard deviation units): 0.570

Note: All calculations assume R-squared of 0.30 and a 65 percent response rate. Means and standard

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deviations taken from the impact study control group in Rotz et al. (2015). Stable housing is defined as using only one's own rented or owned home in the past year as housing.

These calculations suggest substantial benefits from using a single RCT including all subrecipient organizations to provide strong evidence on the efficacy of the expanded social enterprise model. Such a study could be designed to produce additional impact estimates tailored to certain geographical areas, populations, or extensions of the expanded social enterprise model. For example, a subset of subrecipients might be able to implement a program with enhanced pathways to permanent employment for its workers and the evaluation could be designed to provide evidence on such a policy within the multisite design. Strong evidence might be provided if a sufficient number of sites randomly assigned workers to receive advanced pathways. The use of other assignment mechanisms could provide moderate evidence, so long as not all workers received the additional assistance or if a single-site was able to randomly assign access to enhanced pathways.

Of course, we might be unable to obtain a portfolio of subrecipients that provide similar enough social enterprise experiences to pool into a single, multisite RCT. The applicant pool might produce a portfolio of social enterprises better suited for multiple evaluations if the strongest applicants have different capacities for random assignment, serve different populations, or use different social enterprise models. Under such circumstances, we could adapt the multisite RCT design into several, site-specific RCTs. Alternatively, we may maintain one multisite RCT composed of the most similar organizations capable of random assignment, while conducting individual RCTs or comparison-group designs in the remaining social enterprises. Additionally, if unforeseen circumstances or high attrition compromise random assignment, we can adapt our design into several site-specific QEDs, using propensity-score matching to generate comparison groups. Although these methods would provide less generalizable results with more limited statistical power, they would still enable us to generate strong evidence of the efficacy of the social enterprise model.

Key challenge: Balancing the desire to build strong evidence on the efficacy of a single social enterprise model and the desire to explore a variety of different models

Solutions: Designing a single, multi-site RCT using a set of similar social enterprises with the ability to conduct random assignment with fidelity; exploring the possibility of additional evaluations within these social enterprises or at other organizations; searching for a research partner with a proven

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record of flexibility and rigor in working with local stakeholders to design and implement experimental and quasi-experimental evaluations.

We will ensure that the evaluation achieves the goal of expanding evidence for the success of the social enterprise model by carefully selecting an appropriate research partner in an open competition. We will set criteria for selecting a research partner and develop a rubric for fairly and accurately scoring applicants. The ideal partner will have demonstrated experience in each of the following seven areas.

1. Designing and implementing multisite RCTs. To ensure the evaluation of our SIF portfolio provides strong evidence, we will search for a research partner with proven excellence in working with a variety of stakeholders to design and implement large-scale RCTs and QEDs with fidelity across a broad set of localities in a variety of contexts.

2. Providing research and evaluation TA to program providers. We will seek a research partner that has demonstrated experience in partnering with stakeholders to provide TA in a manner that ensures procedures and processes set in the organization support a rigorous evaluation with minimal disruption to the flow of service provision.

3. Evaluating social enterprises or other employer-based training models. Social enterprises must carefully balance a double-bottom line of social service and business sustainability; past studies have shown that these goals can either reinforce or undermine each other (Maxwell et al. 2013). A suitable research partner should have knowledge of the social enterprise model, its strengths and weaknesses, and how the model differs from other approaches to serving low-income and philanthropically underserved communities.

4. Working with a SIF-funded grant program. We will search for a research partner with experience working with SIF and its partners to produce moderate or strong evidence of program impacts. The ideal candidate will have an in-depth knowledge of the criteria put forth by the SIF evaluation plan, as well as knowledge of other, commonly applied evaluation criteria, such as those of the Clearinghouse for Labor and Evaluation and Research for the U.S. Department of Labor (<http://clear.dol.gov/>) and the What Works Clearinghouse (<http://ies.ed.gov/ncee/wwc/>).

5. Developing and using expert panels. An expert panel will provide feedback on our research design and key deliverables to ensure that our evaluation can demonstrate strong evidence and provide maximum utility to practitioners and the research community. The panel will include both content experts and managers of successful social enterprises. To ensure maximum use of the input

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from the panel, we intend to select a research partner with a proven track record of working with experts from a variety of fields.

6. Collecting data on hard-to-locate populations. Experience with the MJS taught us that people with the highest barriers to employment can also be the most difficult to reach for evaluation purposes (Rotz et al. 2015). The social enterprises we seek to include in our SIF portfolio will likely serve a variety of such people, including those with a history of homelessness, incarceration, and mental health disabilities. Our research partner must demonstrate a strong capacity to locate workers after the end of their contact with an organization (or the social enterprise) and elicit high survey response rates.

Key challenge: Maintaining high response rates in all data collection activities

Solutions: Searching for a research partner with strong ability to follow hard-to-serve populations; engaging organizations to help maintain contact with study participants after they leave social enterprise employment

7. Creating a variety of products to disseminate findings. Because we believe that results of research findings should be used to strengthen policies, programs, and communities, REDF actively works to promote research it has funded. We will seek a research partner that can work with us to disseminate findings to a wide variety of audiences. This requires the research partner to provide both technical (such as reports) and nontechnical products (such as briefs, web pages, and press releases) to use in sharing results with the research community and practitioners.

After selecting the research partner, we will structure the contract to support the strongest possible evaluation. For example, it will include clauses requiring advance approval for any changes in key staff to ensure that turnover in research staff does not hinder the implementation of the research. We will set contingency clauses at several stages in the project to ensure ongoing quality: the implementation of the evaluation in years 1 to 3 will depend on the design's approval by SIF; the continuation of the evaluation into years 4 and 5 will depend on the successful and timely completion of the work in the first three contract years. Finally, REDF will develop a strong communication plan, including monthly written progress reports and quarterly update meetings, to ensure a strong working partnership.

Organizational Capability

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IV. PROPOSAL FOR GROWING SUBRECIPIENT IMPACT

Since its founding, REDF has continuously surveyed the social enterprise, transitional job/workforce, business and impact investor fields for promising practices that can be adopted to improve the sustainability, scalability and cost-effectiveness of social enterprise. When REDF identifies evidence of what works, it develops resources and tools and delivers technical assistance to its subrecipients, which helps them replicate either the social enterprise business model or approaches to supporting social enterprise employees that have proven effective.

REDF helps social enterprises expand their core business or create a new business line based on the market viability of the business model and the opportunity to create a significant number of jobs for the target population. REDF utilizes the venture criteria approach to expansion, which clearly identifies the parameters of success. REDF specifically assesses how many additional beneficiaries the expansion will serve; what level of profitability must the business achieve to offset additional operating costs; how much capital must be initially invested to begin the expansion; and the relevant examples of successful expansion we can learn from. REDF integrates data on financial and social outcomes and evidence from the field to establish with grantees annual expansion goals that are realistic, while accelerating job creation to the maximum extent possible.

REDF has numerous relevant examples of success past efforts. The Center for Employment Opportunities (CEO) provides job training and placement services exclusively to formerly incarcerated men and women.

Client Success Story: Former CEO employee, Juan, grew up in Oakland, CA, the youngest of nine children. He was first sent to juvenile hall in ninth grade and eventually dropped out of high school. At 19, he had already been stabbed in the chest, shot three times and landed in prison. When he was released at 24 he decided that there is more to life than the streets. He got a job at CEO and said the program is special to him. "Honestly, if I didn't come here, I'd probably end up going back to prison. That, or I'd be dead." Now Juan is married, working in a good union job, and is saving to go to school. "I'm starting a whole new life."

Community Housing Partnership (CHP) helps homeless people secure housing and become self-sufficient by providing employment opportunities and training through its social enterprise: Solutions SF, a lobby staffing program for San Francisco supportive housing buildings. REDF has helped expand their lobby service business through marketing and operations and improved outcomes by

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funding a retention program for employees. In addition, REDF underwrote the cost of, and consulted on, a CHP-authored professional curriculum that teaches the target population the hard and soft skills necessary to be promoted to a managerial level in property management. CHP plans to license the curriculum to other organizations thereby creating a new revenue stream that will offset their operating costs.

REDF has actively partnered with Community Housing Partnership in San Francisco, investing more than \$909,000 over 3 years to support the expansion of CHP's Solutions SF social enterprise.

Key Successes: Coupled with capital investments, REDF has helped Solutions SF significantly increase sales revenue, streamline business operations, and develop retention programs that have helped more clients move into long-term employment.

- Hired a consultant to develop a financial model that proved integral to CHP's future business planning.

- Provided funding to hire experienced senior leadership that could be focused on business and securing contracts that resulted in revenues of more than \$1.4 million in FY 2013, representing a 42% increase from 2012 and exceeded the budget by 30%. Due to increase in business there was a 40% increase in the number of employee shifts, which meant more people were working and gaining valuable experience.

- Deployed a REDF Farber Fellow to work with CHP to redesign their website and marketing materials to support business growth and sales.

- Designed and facilitated implementation of an employee support system, shifting from a one-on-one model to group-based programming to increase service capacity. Helped them create and rollout the components of the support and retention program, developing comprehensive training materials and handbook, incentives, and exit packages that included letters of recommendation. This resulted in more people successfully transitioning into long-term employment.

Client success story: CHP employee Tammi, fell on hard times and after her mother passed and she divorced, Tammi began using drugs and eventually was arrested for possession. After getting out of jail she had no where to go and ended up homeless. After hitting rock bottom, she dedicated herself to a drug counseling program and was able to take control of her life. A friend told her about CHP where she got a job in their lobby services and with that experience she now has a full time job with benefits as a front desk clerk. She is financially stable and sending her youngest daughter to college.

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Another good example of replication is replicating CHP's front desk staffing business in LA with Chrysalis. REDF has invested over \$1,000,000 over 3 years to scale Chrysalis' social enterprises, including the launch of a front desk staffing service, replicating a successful model first established in SF by CHP.

Key Successes: Coupled with the capital investment, REDF has helped Chrysalis expand its social enterprises and social impact: Conducted feasibility analysis, and helped launch a front desk staffing business line, expanding Chrysalis' existing staffing business, and therefore creating more jobs. From 2012 to 2013 the staffing business's revenue increased by 22%.

- Collaborated with Los Angeles county officials to bring social enterprise employers in parity with local small business preferences for county contracts

- Demonstrated the value of data driven decision-making with the MJS, which incentivized Chrysalis to make organizational changes in order to use data effectively to drive performance and have greater impact. As a result: Data analysis became part of Chrysalis' decision-making and program planning and Chrysalis updated their dashboard methods to track key metrics, such as retention.

Client Success Story: Former Chrysalis employee, Patrick, went down the crooked path, as he put it, and spent almost 3 decades in prison. When he left prison, he decided he needed to turn his life around. He got a job as part of Chrysalis' street cleaning crew and through hard work moved up to front desk staff. Patrick now manages his own building in Los Angeles and is paying for his daughter to go to college. "My family loves me. They appreciate me. They don't look at me as that bad guy anymore. Now when they see me coming, hands are extended."

Staff, tools, learning community, and network are resources REDF will leverage to meet the goals of the project. REDF's team is experienced in business and strategic consulting to both nonprofit and for-profit organizations, including Fortune 500 companies and leaders of small- and medium-sized businesses. Within REDF, a dedicated portfolio team provides technical assistance and manages the process of setting subrecipients' annual goals, developing work plans and monitoring progress. REDF's finance and compliance staff ensure that subrecipients receive consistent support in meeting their financial reporting and federal grant compliance requirements. This talented team, along with a

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vetted list of consultants with specific functional and content expertise, will provide a customized mix of business planning, financial and operational analysis, and marketing and sales assistance to each SIF subrecipient.

REDF will also convene meetings of its subrecipients to share tools REDF has developed, to discuss evidence-based practices, to brainstorm and problem solve, and to share resources. REDF will also invite subrecipients to participate in national conferences and convenings in order to build the field of nonprofit social enterprise.

REDF invests in and supports nonprofit social enterprises that demonstrate a high capacity to create jobs and deliver supports in alignment with evidence-based practices. REDF selects specific areas of focus, the level and type of investment required, based not only on in-depth review of the subrecipients' financial, program, and outcome data, but also on the results of the Grid for Organizational Assessment and Learning (GOAL) -- and annually administered survey tool that REDF developed.

Social Enterprises focused on employment are organizations that operate competitive, market-based businesses with the primary purpose of creating jobs to hire and train individuals facing significant barriers to employment. Through many years of experience, REDF has identified the following key indicators of high performing social enterprises.

MISSION DRIVEN: The primary focus of the social enterprise is to create jobs in order to provide training and support for people facing significant barriers to work. REDF has focused on those serving people with a history of incarceration, homelessness, individuals with mental health disabilities and opportunity youth. Other social enterprises focus on populations including people with other disabilities and immigrants.

JOB DESIGN: Jobs and management practices at social enterprises are designed to facilitate employee success on-and-off the job, support the needs and capabilities of target population employees, and provide new and marketable skills while also supporting key business goals.

EMPLOYEE SUPPORT SERVICES: Social enterprises provide access to comprehensive services that support employees' efforts to increase their labor market competitiveness and overcome/mitigate obstacles that have limited their ability to work.

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SUITABLE BUSINESS CONCEPT: Social enterprise operates as a "double bottom line" business, aiming to achieve social and financial goals. They sell quality and competitively priced products and/or services to a sustainable customer base. Business lines are selected based on market opportunities, sector or industry opportunities for employee advancement, and needs of the target population and the ability of the enterprise to create a sufficient number of jobs for the target population.

EFFECTIVE LEADERSHIP: Social enterprise leadership teams are multi-disciplinary -- with a combination of business acumen and experience serving the target population - and provide a high quality transformational work experience for the target employees while effectively managing the business.

EMPLOYEE VOICE: Employees are considered the primary beneficiaries of the social enterprise and are engaged as active stakeholders to ensure that job design, employee supports, and business operations provide optimal services and maximized opportunities.

SOUND FINANCIAL & OPERATIONAL MANAGEMENT: A thriving social enterprise has strong systems - financial, human resource, information, communication, operations - that drive the effective management of the business. Sound financial policies and procedures, as well as access to necessary capital infusions support employee success and improve enterprise performance.

PERFORMANCE MEASUREMENT & EVALUATION: A quality social enterprise continuously monitors employee outcomes and enterprise performance while analyzing feedback from the customers it serves, its employees and others. There are systems in place for leadership and frontline staff to use data to sharpen enterprise performance, improve the employee experience, increase impact, and inform strategic decision making.

SUPPORTIVE ECOSYSTEM: Social enterprises exist within wide networks of supporters, funders, businesses, and policymakers throughout the communities they serve. Successful social enterprises coordinate their activities with the wider community including: workforce and economic development, social service and healthcare systems, local business environments, and other community planning programs related to their target population(s).

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REDF's operating model prepares subrecipients for growth beyond the SIF grant period through TA and long-term planning. Accordingly, REDF will spend its share of the SIF award (20 percent plus match) to provide technical assistance and sustainability planning to its portfolio of social enterprises.

Annually, REDF reviews each subrecipient's long-term, multi-year financial projections to understand what sustainability means in their specific circumstance. Progress towards these projections are reviewed monthly at Venture Committee meetings to allow for early course correction if needed. For example, if REDF identifies an optimal size for a social enterprise, where the organization would be maximally supported by operating revenue, REDF will invest to help them reach that point. Conversely, if REDF identifies early on that a subrecipient will never be sustainable from earned revenue alone, REDF will work with the social enterprise to maximize operational efficiencies to make the business side as profitable as possible while, at the same time, ensuring that the agency is adequately improving its fundraising capacity to raise the ongoing subsidy. On the employee supports side, REDF will ensure that supports are most cost effective.

I. ORGANIZATIONAL BACKGROUND AND STAFF CAPACITY

REDF has the demonstrated ability to support the approach and achieve outcomes. REDF's core operations include: 1) providing grants and TA, building enterprise and organizational capacity to advance mutually agreed-upon objectives; 2) rigorously evaluating grantees progress, examining REDF's contribution to their results, and making improvements to REDF's processes as a grantmaker in response to the findings; 3) tracking and evaluating outcomes and analyzing data to demonstrate the effectiveness and sustainability of social enterprise; and 4) synthesizing and sharing evidence and learnings locally and nationally, and in partnership with grantees, to promote the improvement and expansion of social enterprise.

REDF's track record is strong. For over 18 years, REDF has helped start and scale more than 60 social enterprises in California; to date, these organizations have employed more than 9,500 people and generated over \$140 million in business revenue. As REDF refines its approach to grant making and TA, we have accelerated the pace of our impact: In 2014 alone, REDF's portfolio has employed more than 1,000 people--the highest annual total in our history.

REDF's greatest resource is its ability to support the proposed approach and achieve its outcomes by its knowledge of social enterprise and convening power. From advising its portfolio groups on how to provide skills training and wraparound services to low-income people who face significant barriers to

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employment, REDF has learned more about which supports increase the likelihood that social enterprise employees will successfully transition to long-term employment. The breadth of the portfolio allows REDF to directly assist a broad range of social enterprises that are helping people today, while identifying generalizable workplace policies and supports that help, or hamper, employees' skill building, retention and ultimate transition. REDF's extensive knowledge about the best evidence-based practices in employee supports ensures that each subrecipient will receive TA that improves beneficiary outcomes.

In addition to REDF's knowledge on best practices in employee supports, REDF also possesses the experience to lead the creation of new social enterprise communities nationwide by leveraging its reputation and influence as a convener. REDF's successful preliminary expansion to Los Angeles, and its current role as an advisor and convener to LA: RISE, demonstrates not only that social enterprise communities are viable, but also REDF can catalyze their creation by offering financial and TA; attracting local investment; and brokering deals with local employers.

REDF's leadership in the social enterprise field is further demonstrated via the SE4Jobs network that was formed to gather knowledge about how social enterprise can lift people who face significant barriers to employment, and to share this experience with the greater practicing community to expand our collective impact. Today, SE4Jobs is a national practitioner group that consists of over 150 members who represent 70 nonprofits that operate 125 social enterprises across the country. As a result of REDF marketing efforts and staff promotion, SE4Jobs' membership has increased by more than 15% from 2013.

In March, REDF will launch REDFworkshop.org, an easy-to-use, web-based platform that will engage and influence a growing national social enterprise community. REDFworkshop.org aims to achieve four goals: 1) Codify and share REDF's knowledge of social enterprise best practices through principles and practical know-how for launching and operating a social enterprise for business, government and funder audiences; 2) Gather knowledge from the field to refine the social enterprise model; 3) Identify and engage champions, partners and allies beyond REDF's current geographical reach to scale impact; and 4) Position REDF as a leader in the field, a nexus for useable knowledge in the employment social enterprise space.

Prior to 2010, REDF's work to create jobs opportunities and career pathways for low-income people who face significant barriers to employment was limited in geography to grantee social enterprise in Northern California. Since our founding, REDF has helped start and scale more than 60 social enterprises in California; to date, these organizations have employed 9,500 people and

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generated over \$140 million in business revenue. As REDF refines its approach to grant making and technical assistance, we have accelerated the pace of our impact: In 2014 alone, REDF's portfolio has employed more than 1,000 people--the highest annual total in our history. With catalytic financial support from the Corporation through SIF, REDF was empowered to do what it had not been able to do before: to test the social enterprise model in a new geography, as well as build REDF's capacity to deliver TA remotely at further distance.

REDF's successful preliminary expansion to Southern California not only begins to build the evidence that social enterprise can thrive in new low-income communities, it also underscores the validity of REDF's approach: continuously refining the best evidence-based practices around social enterprise/supported employment to achieve better outcomes for more beneficiaries. The social enterprise ecosystem work in Los Angeles that was made possible by SIF's 2010 investment in was largely responsible for the City's increasing commitment to social enterprise. Today, several of REDF's Southern California-based subrecipients are integral partners in LA: RISE, a model social enterprise ecosystem funded by the Workforce Innovation Fund of the U.S. Department of Labor. While this work has just begun, REDF is already honing in on what lessons it can learn that may be transferable to the proposed SIF project.

Another example of REDF's commitment to continuous refinement through frequent and rigorous evaluation was the creation of the Learning & Impact (L&I) team within REDF in 2012. The mission of the L&I team is to capture, comprehend and distill REDF's data into lessons that REDF can use internally to improve its efficiency and share externally with the field to amplify the social enterprise movement's collective impact on beneficiaries. The L&I team oversaw the MJS, will oversee the next SIF evaluation, and works with staff and subrecipients to implement learning organization practices.

REDF staff and experienced consultants provide funding, extensive TA, and capacity building support to help each subrecipient implement social outcome tracking and performance management, practices to incorporate this data into continuous program improvements and dashboards and reports to internal and external stakeholders. Since 1998, REDF has partnered with its social enterprise portfolio to design and implement data collection systems that assess performance and produce needed outcome data to monitor performance and demonstrate impact, such as Social Return on Investment, customization of Efforts To Outcomes, and the development and implementation of the "SIF Reporting" Access database currently used by REDF's current SIF subrecipients to monitor and evaluate progress.

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Building on these successes, REDF and its SIF research partner will work collaboratively to provide hands-on technical assistance that enriches subrecipients' program model and builds their capacity to collect, use and analyze data to achieve their program goals. REDF and its research partner will provide each subrecipient with a site liaison dedicated to growing an organization's capacity. The liaisons will be on-site at all times to train organizations as partners in the evaluation.

REDF will monitor subrecipient compliance with programmatic requirements in the following ways: 1) monthly Venture Committee meetings with subrecipient management teams to review enterprise performance, identify and resolve outstanding issues, including social enterprise financial statement review and tracking; 2) formalized mutual mid-year feedback to measure progress toward annual goals; and 3) a formalized year-end portfolio assessment, which informs revisions to project goals, workplans and budgets in the SIF subgrant agreement between REDF and the subrecipient. REDF staff and experienced consultants will provide funding, extensive technical assistance, and capacity building support to help each subrecipient implement social outcome tracking and performance management, practices to incorporate this data into continuous program improvements and dashboards and reports to internal and external stakeholders.

REDF's current 2015 (Jan -- Dec) organizational budget is \$11,200,000. REDF's projected organizational budget for the subsequent years of the SIF is \$12,830,000-\$15,240,000, increasing slightly less than 1% per year. REDF is requesting \$4,750,000 from the Corporation representing 37% of this total organizational budget.

The proposed SIF project will be overseen by a talented and committed team of REDF stakeholders.

Carla Javits -- As REDF's President and CEO, Carla provides the leadership and vision that drives its mission to provide equity-like investments and business assistance to social enterprises, mission-driven businesses focused on hiring and assisting people facing barriers to work. In overseeing strategy, relationship building, and fundraising, Carla works directly with the leadership team as well as the Board of Directors and Advisory Council that are instrumental to REDF's success. Before coming to REDF, Carla was the national President and CEO of the Corporation for Supportive Housing, where she was responsible for providing grants, loans, and TA to service-enriched housing initiatives that ended homelessness for tens of thousands. She was Program Analyst with the California Office of the Legislative Analyst and Director of Policy and Planning for the San Francisco Department of Social Services. Carla holds a B.A. and Master's in Public Policy from UC Berkeley. She serves on the Board of Directors of the Social Enterprise Alliance and the Melville Charitable Trust and

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as an Advisor to the Center for the Advancement of Social Entrepreneurship at Duke University. She is a member of the Advisory Committee of The Philanthropic Initiative as well as the Insight Center for Community Economic Development National Advisory Board.

Annalisa Adams-Qualtiere is the Managing Director of the Business Transformation & Operational Excellence function, which includes the Talent, Technology, Office Operations & Facilities, Finance & Grants and Compliance departments. Annalisa leads projects related to business transformation, operational issues and improvement across the organization. Prior to joining REDF, Annalisa held senior leadership roles at AAA, Hewlett-Packard, PricewaterhouseCoopers, and ADP. In 2012, she was recognized as a Top Woman of Influence in Silicon Valley, and she designed, created, and deployed a diversity program that appeared in Diversity Executive magazine.

Lynn Ballard -- As Grants, Contracts, and Compliance Administrator, Lynn manages REDF's Social Innovation Fund (SIF) award from the Corporation for National and Community Service. In addition to providing guidance to REDF and its portfolio organizations in complying with SIF policies, Lynn serves as REDF's contracts administrator. In more than twenty years working in the nonprofit sector, Lynn has managed over \$250 million in funding for projects of statewide, national, and international scope.

Christina Garcia - As Managing Director of the Strategic Advancement & Public Affairs team, Christina leads strategy and integration of REDF's development, communications, and policy initiatives. A key member of the Executive Team, Christina leads REDF's annual planning efforts, helps guide the overall direction for organizational strategy, and serves as REDF's SIF Project Lead. In addition to eight years working in the permanent supportive housing industry, Christina worked in San Francisco local government, managing federal and local resources to increase community economic development and workforce opportunities for low-income and at-risk individuals, families, and entrepreneurs. Christina serves on the Board of Mercy Housing California and is a Presidio Institute 2015 Cross-Sector Leadership Fellow.

Kristin Lardas -- As Director, Learning and Impact, Kristin oversees the REDF team dedicated to learning from current practices, evaluating their impact, and applying these lessons to leverage knowledge, inform strategy and build the employment social enterprise field. As hire #1 and Director of National Expansion for Leading Educators, she led initial startup through strategic expansion phases, including managing comprehensive program data management through Salesforce CRM data migration, improvement and design, as well as elevated communications, marketing and brand development from a regional to national profile. She previously managed New Profit Inc.'s Gathering

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of Leaders, convening over 150 social entrepreneurs and nonprofit, academic, philanthropic, media and business leaders in order to galvanize social innovation models. Her previous experience as a classroom educator and direct service provider supporting opportunity youth influenced her multidisciplinary Master of Arts in race, culture and media at the University of New Hampshire. She received her Bachelor of Arts in English from UCLA.

Vivienne Lee -- Vivienne brings deep expertise to her role as Regional Director of REDF's efforts in Southern California. Vivienne leads REDF's expansion strategy, builds partnerships, and creates pilot programs that can serve as models as REDF scales a social enterprise ecosystem region-wide. Prior to joining REDF, Vivienne led Citibank's community development efforts. She earned a Master's Degree in City Planning from MIT and attended Occidental College. Vivienne serves on the Board of Directors of the Little Tokyo Service Center Community Development Corporation and the Skid Row Housing Trust.

Carrie McKellogg -- Carrie is the Managing Director of Programs for REDF. Prior to joining REDF, Carrie worked at the Multilateral Investment Fund in Washington, D.C. where she helped to oversee and manage a \$1.7B innovation and social entrepreneurship fund, along with designing and delivering an annual pipeline of \$25M in grants primarily to organizations in Latin America. She partnered with local NGOs to develop private sector delivery models for health, education, sanitation and energy services for people living in poverty, and also led the organization's efforts to address climate change. Prior to that Carrie was an economist and manager at the U.S. Treasury focused on countries in Latin America and Caribbean, and also worked at the Inter-American Development Bank.

Laura Murphy -- As Director of Finance & Accounting, Laura oversees all of REDF's financial functions, including budgeting, monthly P&L and accounting statements, GAAP compliance, and grant fulfillment. She provides input on REDF's strategic direction, program activities and management, as well as oversight of sub-grantees. Prior to joining REDF, Laura worked for Goodwill Industries of the Greater East Bay, where she managed fiscal compliance for federal, state, and local grants.

Nicole Simoneaux -- As REDF's Director of Investments & Advisory Services, Nicole Simoneaux manages relationships with grantees, leveraging resources to help social enterprise organizations scale their activities to best meet community needs. Nicole also helps our portfolio team articulate what we are learning from our role as engaged grantmaker that would benefit the broader field of social enterprise. After serving as Director of Advisory Services for the Nonprofit Finance Fund where she

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worked with a variety of organizations to build financial management capacity and improve capitalization, Nicole is now refining REDF's approach to sustainability planning to ensure that grantees are stronger over the long-term. Nicole has a BFA from NYU and MBA from the University of Wisconsin and is the Board Treasurer for Young Audiences of Northern California.

REDF's management will provide leadership throughout the life of the SIF award. REDF's President reports to the Board of Directors, which has 12 members. The President supervises a 3-member management team representing Business Transformation & Operational Excellence (talent, technology, operations, finance), Strategic Advancement & Public Affairs (fund development, communications, policy), and Programs. All senior management are deeply involved in the SIF planning process and will remain highly engaged for the life of the SIF award.

REDF's Board of Directors include leaders in the field of nonprofit social enterprise, venture philanthropy, nonprofit evaluation and measurement. REDF's talent pool is especially deep because the people who have been most engaged in REDF from its inception are all either working at REDF today or serve on the Board of Directors or Advisory Council. Their knowledge is complemented by other individuals who have joined over the past several years, bringing additional experience in private sector entrepreneurship, business consulting, marketing, fundraising, and public policy.

REDF has 18 years of experience setting and implementing goals with subrecipients. REDF's model of venture philanthropy is hands-on and collaborative. At the beginning of the partnership, and at the beginning of every year for the life of the subaward, REDF meets individually with each subrecipient and works collaboratively to establish goals that will improve outcomes for beneficiaries as well as meet the operating needs of the business itself. For REDF's subrecipients, these conversations are but one of many scheduled not only to jointly establish goals and acquire funding for activities, but to ensure that--at any time--if the social enterprise needs REDF's assistance, the Programs team is be on-hand ready to provide customized technical assistance.

REDF will use a SIF subgrant agreement with all applicable flow down clauses and existing monitoring systems to ensure subrecipient compliance with Federal requirements. Matching fund requirements will be incorporated in all subgrant agreement between REDF and SIF subrecipients along with prior approval and other requirements, certifications and assurances. REDF's monitoring system includes performing risk assessments, desks audits and site visits; extensive reviews of subrecipient quarterly Budget-to-Actual (B2A) Reports; and verification that background checks were done in accordance with National Service Criminal History Check requirements. In 2013, to improve subrecipient monitoring, REDF developed the Compliance Snapshot, a process and tool used to

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organize and examine a grantee's record of compliance with the specific terms and conditions of an awarded as well as applicable laws, accounting and business practices and other indicators of how well they're managing awards. The Snapshot compiles information on annual financial statements, A-133 audits, and adherence to Single Audit Clearinghouse deadlines, the debarment and suspension search done through the System for Award Management, and other information. This "at a glance" overview is shared with the subrecipient. Compliance Snapshots are taken annually by Compliance staff and updated prior to amending an award, and compliment the extensive review of financial data as part of REDF's B2A Report review - a joint process with Programs, Finance & Accounting, and Compliance staff.

REDF has been a grantmaker for over 18 years. REDF's history includes evaluating performance of subrecipients for both financial and social outcomes. REDF has been a leader in this space and pioneered the first social return on investment analysis with its portfolio. REDF trains the field, including other funders, on how to evaluate financial performance of social enterprises using double bottom-line reporting.

In 2010, REDF overhauled its internal processes to strengthen goal setting, monitoring and documentation for its SIF project. Annually, REDF conducts an internal Portfolio Review, which is a retrospective lessons learned based on subrecipient performance in the prior year. The Portfolio Review tracks number of beneficiaries employed, beneficiaries' hours worked, employee supports offered and financial sustainability of the social enterprise. The Program Committee on the REDF Board of Directors, which consists of accomplished leaders from government, business, and philanthropy, provides high-level strategic oversight for REDF's performance. Lastly, social enterprises provide a market-facing intervention that requires a strong focus on outcomes in order to remain a viable business.

From making subawards to a wide range of social enterprise subrecipients--some of which have never received federal funding prior--REDF has spent five years learning how to help subrecipients build out their infrastructure to become compliant with federal grants management systems. REDF has become increasingly proficient in assessing how it can best assist its subrecipients to make report data in a timely and accurate manner that meets federal guidelines. In addition, REDF generates "Compliance Snapshots" for each grantee that are shared with the grantee and reflect their status on all key compliance areas.

REDF helps subrecipients develop, monitor and improve their performance through customized TA. At the beginning of the re-granting cycle, REDF will work with each subrecipient to

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collaboratively formulate a work plan for the following 12 months. The work plan asks subrecipients to create goals under four categories that REDF's experience has shown to be a reliable indicator of social enterprise performance, one of which is: outcomes reporting and performance management (how results are tracked and what systems are in place to measure outcomes and inform future improvements). REDF has helped subrecipients craft customized solutions to their organizational gaps; create dashboards that track performance in real-time; invest in, and advise on, system infrastructure; and reinforce the use of systems and data through goal setting and VC meetings.

REDF process for monitoring subrecipients for compliance and goals is outlined in the subgrantee agreement that each subrecipient signs. Subrecipients agree in the subgrantee agreement that all work covered under the agreement will be performed under the general guidance and technical direction of REDF's SIF Implementation and Review Team, a coordinating body comprised of Portfolio, Evaluation, Financial and Grants Management staff, and other REDF employees whose expertise may be called upon to address certain matters. REDF's SIF Implementation and Review Committee is responsible for monitoring the overall progress being made in meeting the goals set for REDF's primary SIF award, and providing input on SIF quarterly and annual reporting, and Compliance Reviews, and facilitating a cohesive approach to problem solving. The Team provides support in (1) monitoring the subrecipients' technical progress, including the surveillance and assessment of performance and recommending changes in requirements; (2) interpreting the statement of work and any other technical performance requirements; (3) performing technical evaluation as required; (4) performing technical inspections and acceptances required by the agreement; and (5) assisting in the resolution of technical problems encountered during performance.

Once a month, REDF will attend an onsite Venture Committee (VC) meeting at the social enterprise. Meeting attendees typically include a REDF portfolio manager or director, the social enterprise director, executive director of the parent nonprofit organization, and a senior member of the subrecipients' finance team. VC meetings function as monthly check-ins that offer a two-way sharing of information, a time to work on technical assistance projects, or a time to brainstorm solutions to a challenge or opportunity. REDF also uses this time to facilitate mutual introductions between new REDF and new subrecipient staff. VC meetings are also an opportunity for the subrecipient to provide regular commentary on their progress to date and any assistance that REDF can provide to help them reach the goals specified in the yearly work plan. Halfway through the year, REDF and its subrecipients conduct a mid-grant feedback session. In this more formalized process, subrecipients are asked to complete a self-assessment on where they stand in

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terms of progress to goal. This is also an opportunity for the subrecipient to offer their assessment of REDF's assistance, and make suggestions as to how the working relationship might improve. For its part, REDF will do the same. From the meeting, REDF and its subrecipient may recalibrate the goals, timeline and working agreements to ensure that goals are realistic and that the relationship is healthy and collaborative.

REDF has become a recognized leader in the social enterprise field for organizations whose mission is to employ low-income people who face the greatest barriers to work. REDF shares its experience with government, philanthropies, business and social enterprise practitioners to catalyze collective action that will help people build better lives and futures. Between 1997 and 2012, REDF provided direct financial support of \$20 million as well as \$16 million in business and capacity-building assistance to 49 social enterprises that have employed 7500 people and earned revenues of \$143 million. Social enterprises across the country and around the world have learned from, and adapted, REDF's pioneering work in venture philanthropy, social enterprise growth, and the measurement of social returns on investment.

REDF's forthcoming 2016-2020 strategy renews and strengthens REDF's commitment to widely expand economic opportunity for low-income people facing the greatest barriers to work. From the sustainability, scalability and cost-effectiveness standpoints, social enterprise demonstrates with moderate evidence that it has the potential to transform the lives of many thousands more people in need. REDF stands behind social enterprise as a pathway to a more stable, healthy and prosperous life for beneficiaries, and will continue to support this work beyond the life of the grant.

To ensure that subrecipients are well-positioned to continue self-evaluation beyond the life of the grant cycle, REDF requires that subrecipients adopt the practice of independently tracking their performance in real-time using a customized, REDF-designed dashboard. Once subrecipients populate the dashboard with business and beneficiary intake and exit data, the social enterprises can use this information, to improve metrics, spend judiciously, and easily pull reports for key stakeholders. In addition, REDF has an existing track record of engaging alumni portfolio subrecipients in continued outcomes tracking. REDF conducts an annual alumni survey to track number of beneficiaries served and business revenue.

Most SIF grantees fund projects that are primarily or wholly supported by contributed revenue. For these subrecipients, when SIF funding sunsets, 50% of the grant for the program goes away. The basic social enterprise model is inherently, a more financially sustainable model beyond the SIF grant cycle because earned revenues are reinvested into the nonprofit and underwrite the essential cost of

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employee supports. REDF provides technical assistance to subrecipients that maximizes earned revenue to cover as much of these costs as possible. Grant dollars are used to underwrite services, but also to invest in building the social enterprise business to increase demand from consumers and to operate their businesses at scale.

Budget/Cost Effectiveness

IV. COST-EFFECTIVENESS AND BUDGET ADEQUACY

BUDGET JUSTIFICATION

The total first-year cost of REDF's proposed SIF program is \$9,500,000. REDF is requesting \$4,750,000, or 50% of the total cost, from the Corporation. REDF is providing the remaining 50%, paid for with a combination of cash-on-hand, reserves restricted for the purpose of performing SIF related activities and re-granting to expand the social enterprise nationwide (\$3,744,063), various multi-year foundation awards from non-federal sources, such as The Woodcock Foundation (\$500,000 over 3 years), individual donations and our own on-going fundraising efforts. Bank statements reflecting balances and award letter(s) demonstrating our commitment to our match has been submitted to the Corporation.

ADEQUACY OF BUDGET TO SUPPORT NARRATIVES

In 2014, REDF completed a strategic planning process to scale the nonprofit social enterprise model in California with a goal of developing the evidence and momentum to scale nationally. Having employed over 2,500 people in this model between 2011 and 2015 -- with 1,000 employed in 2014 alone -- REDF now aims to exponentially increase the number of people employed nationally by social enterprise between 2016 and 2020. This plan contains a five-year budget projection that includes the costs of increasing the size and scope of REDF's grantmaking, measurement, and technical assistance activities, working in multiple California communities and expanding to other communities across the country. This projection is the basis for REDF's SIF first-year budget which, like the activities proposed in this application, is rooted in REDF's Board of Director-approved 2016-2020 strategic plan. With the support of the SIF, REDF will be able to launch this ambitious plan.

SUBGRANTING

REDF proposes to subgrant \$4,000,000 in the first year of SIF funding. Of this amount, REDF is requesting \$4,000,000 from the Corporation. REDF will provide grants totaling between \$300,000

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and \$400,000 to 14-30 competitively selected subgrantees in multiple California and Nationwide communities.

TECHNICAL ASSISTANCE

REDF will provide most of the technical assistance to SIF subgrantees through its experienced staff. In the first year of the SIF budget, Project Personnel Expenses total \$1,552,636, of which REDF will provide 80% (\$1,004,895). Key personnel positions include: REDF's President, Managing Director of Programs, Portfolio Director, Business Partnerships Manager, and Public/Private Sector Contracts Development.

REDF will also provide technical assistance through third-party contractors. Consultants will provide, for example, specific industry expertise in business sectors being considered for social enterprise expansion, and in-depth review of subgrantee financial systems. REDF's first-year budget includes \$1,255,081 for contractual and consultant services. REDF is requesting approximately 15% (\$189,717) of this cost from the Corporation.

MEASUREMENT AND EVALUATION

REDF's costs for measurement and evaluation are reflected primarily in personal and travel. There are Project Personnel Expenses for REDF's Learning & Impact Director and Senior Associate and the associated Personnel Fringe Benefits. The Director will directly oversee the REDF's research partnership and the design and implementation of the evaluation. The Senior Associate will serve as REDF's primary site liaison, working closely with the research partner to ensure data is gathered, implementation challenges are resolved, and subrecipients have access to adequate resources to build capacity as described in this application. Following SIF's evaluation guidance and REDF's MJS experience, \$7 million (equivalent to 29% of the SIF request) has been budgeted to support a multi-site RCT that will include Interim and Final Reports to maximize the value of the evaluation.

CONNECTION OF BUDGET TO DESIRED OUTPUTS AND OUTCOMES

REDF's SIF program budget is designed to lay a foundation for achieving the five-year measurable outcomes proposed in this application. It provides costs that are reasonable and adequate to support the grantmaking, technical assistance, measurement and other activities that will achieve the first-year accomplishments which build toward the goals the program sets for 2015. Grounded in the projections for REDF's five-year strategic plan, the budget is informed by REDF's five year

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strategic plan which was developed using conservative estimates, and was reviewed and approved by its Board of Directors. Finally, the budget is informed by REDF's decade-plus of experience providing this program in the San Francisco Bay Area, and the historical outputs and outcomes of its grantees.

CAPACITY TO RAISE MATCH

REDF has demonstrated its ability to attract non-federal institutional and individual investors to-date, successfully meeting its current SIF match commitments. In preparation for the launch of its 2016-2020 strategy, REDF continues to deepen its partnerships with national Foundations and individuals that have the interest and capacity to make significant multi-year awards to meet the proposed match requirement.

In 2014, REDF launched a new Fund Development strategy to position itself as 1) a nationally recognized field builder and strategic thought partner for a network of highly visible donors focused on poverty alleviation and job creation and 2) a powerhouse philanthropy that draws increasing numbers of donors into conversation about REDF's mission by providing a vibrant social network for its donors with key board members serving as coordinating hubs. As a result, REDF has increased its fundraising capacity and commitments adding 7 new foundation and local government funders, over 100 new individual donors, and tripling corporate sponsorships. With the release of the MJS results and preview of REDF's 2016-2020 strategy, there is rapidly growing interest from impact investors and funders to join REDF's effort to scale social enterprise.

The total first-year cost of REDF's proposed SIF program is \$9,500,000. REDF is requesting \$4,750,000, or 50% of the total cost, from the Corporation. REDF is providing the remaining 50%, paid for with a combination of cash-on-hand, reserves restricted for the purpose of performing SIF related activities and re-granting to expand the social enterprise nationwide (\$3,744,063), various multi-year foundation awards from non-federal sources, such as The Woodcock Foundation (\$500,000 over 3 years), individual donations and our own on-going fundraising efforts. Bank statements reflecting balances and award letter(s) demonstrating our commitment to our match has been submitted to the Corporation.

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Clarification Summary

PROGRAMMATIC ISSUES FOR CLARIFICATION

1. Compared to your 2010 SIF program, your proposed 2015 SIF program is significantly larger in terms of budget, geographic presence and number of subgrantees. As you prepare to implement and manage a program of this size across multiple states, what specific challenges do you anticipate related to staffing, technical assistance, monitoring and oversight, and how do you plan to address them?

Description of what we hope to accomplish

In March 2015, REDF's Board of Directors approved the organization's ambitious 2016-2020 strategy that deepen our efforts throughout California while expanding REDF's reach to social enterprises and their mainstream employer partners outside of California in six additional U.S. communities.

What this work requires

This will require reframing REDF to work in and beyond California and at the national level. REDF is well-positioned to make the strategic shifts based on the state of the field, our strengths and track record. As REDF moves forward with a broader vision, we will need to increase our internal capabilities to administer a significantly larger grant portfolio and deliver consistent technical assistance to more subrecipients over a larger footprint.

REDF's experience and qualifications (we've expanded before)

Over the past five years, REDF has had to provide technical assistance beyond its original home in the San Francisco Bay Area to a larger number of organizations, and to organizations located in southern California.

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Our program and administrative staff have become increasingly adept at organizing travel and meetings to allow us to manage relationships and monitor subrecipients in multiple counties across the state. We have also developed our office technology to accommodate remote face-to-face meetings, and routinely review documents and discuss sensitive issues with our colleagues in other parts of the state.

Although in-person time is important and prioritized at an appropriate frequency to build and maintain relationships, many processes can be facilitated seamlessly via phone and webinar technology. REDF's ability to balance in-person presence and maximize technical assistance from a distance will be critical to successfully growing our portfolio. Utilizing staff, consultants, and our field building tools to create learning communities, REDF will use a multi-pronged approach to ensure our portfolio is successful.

REDF has learned much about the industries, business models, and job designs that are likely to be financially viable; able to employ significant people annually; and produce positive employment outcomes. The selection process will prioritize businesses that meet criteria for being highly scalable, enabling a higher ratio of employees per grantee, and can meet the demands of a rigorous evaluation.

To meet the challenges of serving a larger SIF portfolio across a widening geography, while maintaining REDF's service delivery quality standards and ensuring compliance with federal requirements, REDF will:

Deploy a cadre of staff and experts.

In our renewal budget, we have built in an efficient staff growth plan that paces with our expansion and relies on our successful approach of utilizing a combination of staff and a trained pool of expert consultants to meet our administrative demands and remain nimble and responsive to the needs of our subgrantees. REDF continues to build its internal efficiencies to maximize our staff resources. REDF's proposed 2015 staffing level is comparable to our current SIF program staffing and continues to gain efficiencies in our administration of the SIF program. The proposed annual SIF budget is a 58% from REDF's 2010 award. Our proposed SIF staff growth paces with this increase; rising by 60% from 2010 to 2015. However, total wages has only grown by 16% providing more staff hands per

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wage dollar to do the work.

Throughout REDF's history, we have directly delivered capital and high-quality technical assistance to our portfolio. Over the course of providing hundreds of TA projects REDF has have created a suite of tools and templates that improve efficiency by using a standard methodology and approach while adjusting for project- specific details. To increase the availability of demand-driven social enterprise expertise, REDF has operated the highly successful Farber internship and Fellows program for more than a decade, bringing well over 100 professionals from the best MBA programs in the country, and from the business community to deliver advice and consulting assistance to REDF and to the social enterprises in REDF's portfolio.

In order to minimize the impact to REDF's expense base, strong templates and tools will allow for short-term resources like Farber Interns, and maximize use of consultants/ contractors without sacrificing work quality or REDF brand. By providing these consultants access to our knowledge base, and clarity about the scope of work, we have been able to deliver high quality technical assistance to a wide array of organizations. As we expand geographically, this consultant pool will also grow. Some of our existing consultants are able to travel to locales outside of California; and we have also already begun to develop relationships with consultants in other geographies with experience in providing technical assistance to social enterprise that we can further train and deploy, building on already established practices.

We will continue to invest in intern and fellowship opportunities to build the capacity of social enterprise leaders and grow their businesses. We will also invest in a Farber Fellowship that trains and deploys a group of talented individuals who will bring their education and experience to build the field and develop the ecosystem in selected geographies, extending REDF's reach and impact.

Disseminate knowledge and grow learning communities.

REDFworkshop.org a key platform we will use to develop a robust, engaged online community that stays informed and connected. We will use it to disseminate best practices informed by work on the ground in various communities to the broader field. Initiatives that work in one community will be documented. Tools and templates are shared to enable replication. We will share best practices we learn about that result in employees better prepared with the essential skills employers seek and have

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the opportunity to strengthen their skills so that they can advance; and employers that use the management practices that lead to employee success. We will incorporate and assert a REDF perspective developed through our work on the ground and the evidence base. We will tap into the “action lab” in local communities and around the country. This is the base we will continue to learn from, iterate, and inform the broader field.

Another REDF platform is the SE4Jobs network, which was formed to gather knowledge about how social enterprise can lift people who face significant barriers to employment, and to share this experience with the greater practicing community to expand our collective impact. Today, SE4Jobs is a national practitioner group that consists of over 150 members who represent 70 nonprofits that operate 125 social enterprises across the country.

REDF also disseminates knowledge through physical gatherings of national leaders. REDF is excited to convene a cohort of leaders from government, business, philanthropy and social enterprise from across the U.S. for our second annual Leadership Convening. Last year, the Convening brought together over 30 social enterprise leaders to build connections, identify collaborative opportunities and share knowledge. The Convening was highly successful and was the inspiration behind REDF and its partners advocating for social enterprise to be part of the 2015 U.S. Conference of Mayors agenda.

Continue to strengthen REDF’s infrastructure.

Over the past five years, REDF has strengthened its monitoring and compliance functions to meet the requirements of federal grants and contracts. By implementing new systems and creating efficiencies in our grant administration, REDF is well positioned to receive and manage a larger SIF award and a growing number of subgrantees.

REDF is currently in the implementation phase of NetSuite, a robust, cloud-based accounting and financial management system. Our new system includes PyanGO LLC, an add-on for cloud based management throughout the entire grants lifecycle from proposal development, grant awarding, and grants management thru close out. PyanGo also has extensive reporting capabilities for government and non-government awards. REDF’s capacity will be significantly enhanced with the implementation of a more robust, cloud-based system that streamlines financial management, automates some monitoring functions, and makes financial data more easily accessible to multiple

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users regardless of location.

REDF's new system will enable us to better manage the extensive documentation needed for subrecipient monitoring, including audited financial statements, insurance certifications, debarment and suspension clearances, and background check documentation. In 2014, we began collecting and archiving these records in a way that gives us a clean snapshot of a grantee's record of compliance. Our new system will automate tasks such tracking expiration dates and working in the cloud will allow grantees to upload required documentation in a timely manner. REDF is on track with its implementation to utilize this system with our new round of subgrantees.

Additionally, REDF continues to fine tuning and synthesize its practices to eliminate duplicative processes and increase administrative efficiencies for REDF and subgrantees. For example:

- We have consolidated our due diligence and risk assessment processes, allowing for an easier onboarding process for new grantees.

- We strengthened our monitoring practices by requiring subgrantees to submit backup documentation with quarterly expense reports. Reviewing backup documentation throughout the life of a grant reduces the need for costly site visits, audits and random sampling for grantees that are managing their funds well. It also makes it easier to close out awards.

REDF has also been called on by SIF and fellow SIF grantees to offer advice and guidance on implementing CNCS's background check requirements. This has provided us with valuable insight on how to create a monitoring system to support geographic expansion and a larger portfolio.

Background check requirements vary from state to state but our process for identifying new locations will give our staff ample time to become oriented to different requirements so we're able to advise our grantees effectively from the start.

Leverage partnerships.

As we grow into new geographies, and support new social enterprise and employer initiatives, REDF will leverage existing relationships of trust that locally-based organizations and leaders have already established.

Over the course of REDF's initial SIF award, we have worked to intentionally cultivate a national

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social enterprise sector and build strong relationships with social enterprise, business, and philanthropic leaders across the country thru:

- ¿ SE4Jobs ¿ The national practitioner group of social enterprise leaders who assemble quarterly to attend an interactive webinar that speaks to the groups¿ social enterprise interests. E.g. how to apply for philanthropic support, best practices in employee supports, etc.
- ¿ Social Enterprise Leadership Convening ¿ A collaborative gathering of national leaders in business, government, philanthropy and social enterprise to identify opportunities to work together and build the field.
- ¿ Pathways to Scale ¿ To demonstrate that social enterprise is a sustainable, scalable and effective model to create job opportunities and career pathways for many thousands of people who suffer from chronic unemployment, REDF is authoring ten case studies that will serve as proof points for decisionmakers in government, business and philanthropy.
- ¿ Impact Recyclers ¿ Impact Recyclers, a REDF-brokered national network social enterprise e-waste recyclers. Impact Recyclers operates with a triple bottom line by providing high quality and environmentally-friendly e-waste recycling services, while creating jobs for people on the autism spectrum, formerly incarcerated, or with physical disabilities.
- ¿ Participation in high profile conferences such as CGI America, Social Enterprise World Forum, Shared Value Summit, and the Council on Foundation conferences

This early work to reach beyond our California portfolio has already generated new opportunities to increase the visibility of social enterprise and build a national interest. For example, the Social Enterprise Leadership Convening and relationship with the Annie E. Casey Foundation created momentum and support that has put social enterprise on the US Conference of Mayors 2015 Annual Meeting agenda, including a social enterprise resolution sponsored by 3 California Mayors and tour of social enterprise.

REDF will continue to build on its growing national and regional relationships to generate financial and programmatic opportunities, ignite new champions and leaders for expansion, and identifying venues where we have been able to host meetings with local providers and funders.

2. We may not be able to fund all applications at the amount requested. If we were able to fund you at half your requested amount, how would you modify your proposal with regard to budget, subgrants,

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staffing and/or evaluation?

Since 2010, REDF has partnered with the Social Innovation Fund (SIF) to grow social enterprise, an innovative solution that is achieving faster, more lasting progress on one of our most persistent social problems: chronic unemployment among economically disadvantaged people who face the greatest barriers to work. Together, we have shone the light on an evidence-based intervention that has the scaling potential to expand economic opportunity for communities in need nationwide. REDF's 2015 SIF project will build upon the lessons learned from our current SIF award to deliver a rigorous evaluation that demonstrates how a single market-based intervention can create jobs and career pathways for low-income people not only in California, but across a broad range of markets in the United States.

REDF is prepared to achieve the goals put forth in our application to simultaneously advance the field of social enterprise and SIF's commitment to developing breakthrough solutions to pressing local and national challenges. We have learned immensely from our SIF 2010 award: administratively, on how to manage a federal grant, as well as, practically, on how to support the growth of social enterprise. Accordingly, REDF's 2015 project puts forth a scaling plan that is carefully calibrated to the level of evidence we have achieved from our current award, and the level of evidence we plan to achieve with an expanded program and budget. Proportional to the investment requested from SIF, REDF's project promises an outsized impact that is poised to capture the attention of, and support from, Congressional State and local leaders represented in the U.S. Conference of Mayors, the National Council of State Legislatures and the National Governor's Association. We strongly believe that a SIF award at the full amount requested will result in lasting, transformative impact in high need communities throughout our country.

If awarded at half our requested amount, REDF will continue to pursue our stated goal of building dense social enterprise ecosystems in communities outside of California as outlined in our board-approved 2016-2020 strategic plan. We are aware that if awarded less than the full award amount, we will have to recalibrate the scope, pacing and programmatic impact of our proposal. In short, funding at 50% of our proposed request will have significant implications for our project in the following areas.

Fundraising Implications

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In order to financially sustain our programmatic objectives, REDF predicts that we will have to fundraise for additional regrating dollars to fill the gap. REDF expects this fundraising lift to be time- and labor intensive. Accordingly, we expect that fundraising will delay the pace of our goals in 2016 and 2017. In addition, the absence of SIF capital to catalyze match investment from other funders will make it more difficult for REDF to raise funds.

Programmatic Implications

REDF expects that an award at half our requested amount will necessarily reduce the number of geographies to which we can impact. REDF would expect to serve 5,000 people (50% reduction) in three geographies (50% reduction): NorCal, SoCal and one additional geography. Further, the absence of the full requested amount will deprioritize REDF's consideration of rural geographies and geographies not currently being served by the SIF due to an increased need to serve high-density urban centers that would fulfill the needs of our evaluation. The smaller award would also slow REDF's entry into new geographies. REDF will need to do small-scale strategic grantmaking that demonstrates value and commitment to the community over a longer period of time to build local relationships before a deeper commitment could be obtained. From a funding perspective, it will take longer to convince funders to support REDF because we will not have SIF's partnership.

Evaluation Implications

REDF's evaluation will necessarily become smaller as a result of the reduced size of the SIF portfolio. REDF's 2015 project seeks to build a stronger evidence base for social enterprise as an innovative, evidence-based, and scalable solution to chronic unemployment nationwide. A fully-funded award would underwrite a compelling national evaluation with a strong level of evidence that positions the field to build cross-sector partnerships that will support the continuation and growth of an effective intervention. If the resulting evaluation is not nationally representative, REDF and SIF may miss the momentum of this timely opportunity to advance change on a national scale.

PROGRAMMATIC ISSUES FOR CLARIFICATION

1. In your application, you do not explain how a 2015 SIF grant will not duplicate efforts funded by your Workforce Innovation Fund grant. Please clarify how this SIF project is distinct from, or will supplement rather than duplicate, other federally funded projects.

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A. 2015 SIF grant will not duplicate efforts funded by the Workforce Innovation Fund (WIF) grant for the following reasons. First, the U.S. Department of Labor's WIF program is slated to sunset. In 2014, the WIF launched its second and last grant competition. The winning applicants, which include the City of Los Angeles' LA: RISE project, will be the final recipients of federal funding through the WIF program as it begins to wind down. Second, in terms of geographic scope, a 2015 SIF project will encompass a much broader geographic area, not only in Southern California, but nationwide. LA: RISE, in contrast, delivers services to the target population in Downtown Los Angeles exclusively. Third, LA: RISE and the proposed 2015 SIF project advance evidence toward different conclusions. The purpose of LA: RISE is to build connectivity between existing workforce resources in order to sustain social enterprise jobs. In contrast, the purpose of the 2015 SIF grant is to expand social enterprise nationally.

2. You describe a review process which includes a Trial Project phase that emulates a grantee relationship, but do not provide a clear explanation of how subapplicants will move from this phase to becoming full-fledged subrecipients. It is unclear whether you have successfully used this process within a similarly tight schedule. Please provide detailed information about how you will conduct trial projects within the six month period allotted for subrecipient selection and how you plan to move subapplicants from this phase to becoming full-fledged subrecipients. If an applicant is not deemed ready, please explain what happens to grant funds that are not awarded.

A. The Trial Project phase is an intermediate step towards the end of the due diligence process, before any subawards are made. REDF has successful track record of using Trial Projects for SIF subgranting, and for grantmaking prior to our partnership with the SIF. REDF has observed that the most successful and satisfied subrecipients within our portfolio are those who share REDF's expectations around funder-grantee transparency, responsiveness and open communication. The Trial Project is particularly helpful and relevant to SIF subgranting. From experience, receiving federal grant dollars from the SIF places a substantial burden on subrecipients in terms of meeting match, reporting and compliance requirements. Trial Projects proactively alleviate this anticipated burden by building trust and rapport, and establishing shared expectations around responsiveness and communication. The Trial Project phase is an efficient means for REDF to assess the intangibles of a partnership not captured by the regular due diligence process.

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The Trial Project phase consists of three to four weeks of simulated partnership; subrecipients will experience first-hand request for financials, REDF-grantee advisory meetings and engagement with different REDF staff members at the organization. This is not testing the feasibility of the subrecipients' model, but an opportunity for both parties to build rapport and understand whether partnership is likely to be successful for both parties. Following the Trial Project, REDF will select awardees in consultation with the Board Program Committee. These awardees will move into the portfolio.

REDF used Trial Projects in its 2010 and 2011 due diligence processes and is able to complete these projects within a four week time frame. REDF will be able to complete the full selection process in the six months allotted: Run a competition (up to two months), select initial awardees (one month), complete Trial Projects (up to one month), and make final selections (up to 1 month).

3. The expected number and amount of subgrantee awards is unclear; in one place, you indicate REDF will make 20-40 subawards in amounts ranging from \$100,000 - \$500,000; in another section, you indicate REDF will make 14-30 subawards in amounts ranging from \$300,000 - \$400,000. Please clarify this discrepancy.

A. In Year 1, REDF's will make 14-30 subawards in amounts ranging from \$100,000 - \$500,000; the ideal subaward will be within the range of \$300,000 - \$400,000. The number and size of these Year 1 awards will position REDF to deploy capital at a pace that will allow us to meet our people employed targets. In the event that a small percentage of subgrantees turn over, REDF may add new subgrantees after Year 1. We anticipate that the maximum total number subawards will be 40.

4. Many of the staff identified as supporting the proposed project currently support your 2010 SIF project. Please explain how you will ensure that your staff has the capacity to manage both awards at the same time.

A. REDF's experience with its 2010 SIF grant has provided insight into what our organization would need to manage the a 2015 SIF award. The ramp up period for a new SIF award will build off of the proven competition model REDF deployed for its 2010 award. REDF will conduct outreach in Q2-Q3

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2015 for our regional expansion that will allow for a SIF competition in late Q3/early Q4 2015. For a new SIF award, REDF will place greater focus on marketing the competition electronically, through platforms that include REDFWorkshop.org. REDF will make easy-to-use resources widely available to help applicants design strong project proposals that require less assistance from REDF staff.

REDF's finance and compliance infrastructure is strong and continues to improve over time. REDF has made significant progress in building our systems and will continue to place emphasis on creating system efficiencies. Most recently, REDF has begun to implement NetSuite, a robust, cloud-based financial software that will help streamline reporting and subgrantee fiscal monitoring. REDF is building and adapting to position itself for scale and recognizes that an ambitious national growth strategy will require close continuing development of systems and staff capacity.

REDF currently oversees 7 subrecipients whose final year grant and work plan have been set. The remaining work is to help them plan for long-term sustainability post-SIF and exit them, the latter of which falls mainly to REDF's Finance and Compliance teams. REDF anticipates that only 1-4 current subrecipients will be given a grant from the 2011-2015 SIF grant for 2016. In effect, the period and burden of a potential overlap between two SIF awards is shorter and less difficult than it may initially appear.

REDF has designated non-Programs team staff to spearhead REDF's plan for regional expansion. REDF is ramping up in staffing, but this is because we understand that a venture philanthropy approach requires high touch.

5. Would you be interested and able to add rural communities or geographic areas not currently being served by the SIF to the list of communities you are considering?

A. REDF's assessment of potential expansion regions consists of the following seven evaluative criteria: (1) economically disadvantaged youth and adults who face significant barriers to employment; (2) this population's unmet need from federally funded sources; (2) mature social enterprises and amenable traditional employers; (3) funding opportunities; (4) support from local government; (5) precedent partnerships; and (6) fit for REDF's proposed randomized controlled trial (RCT).

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REDF is a committed partner to the SIF. We have looked at the SIF map and identified several locations that are not currently being served by the SIF or are not being served by a SIF grantee under the Economic Opportunity priority area. As we assess the feasibility of potential expansion regions, we seek to be additive to the SIF's mission and model.

BUDGET ISSUES FOR CLARIFICATION

1. In the budget narrative in eGrants, Section A. Personnel, the level of staffing proposed (21) is very high compared to other programs of similar size. Please provide further explanation regarding the relatively high level of staffing for this program.

A. REDF's proposed 2015 staffing level is comparable to our current SIF program staffing and continues to gain efficiencies in our administration of the SIF program. The proposed annual SIF budget is a 58% from REDF's 2010 award. Our proposed SIF staff growth paces with this increase; rising by 60% from 2010 to 2015. However total wages has only grown by 16% providing more staff hands per wage dollar to do the work.

REDF is building and adapting to position itself for scale and recognizes that an ambitious national growth strategy will require close observation of staff capacity. REDF's model is a venture philanthropy approach that couples capital investments with hands-on technical assistance to our subgrantee portfolio as well as staffing to ensure that the lessons and knowledge from our portfolio are disseminated broadly to the field. In addition, REDF has made significant progress building our finance and compliance infrastructure and will continue to place emphasis on creating system efficiencies. Most recently, REDF has begun to implement NetSuite, a robust, cloud-based financial software that will help streamline reporting and subgrantee fiscal monitoring.

2. In the budget narrative in eGrants, Section C. Travel, please provide detail on how travel costs were calculated.

A. To calculate travel and lodging, we scanned common travel and lodging websites to obtain the average cost of traveling to and from various regions. The different regions were defined as the Pacific,

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Rocky Mountain, Southwest, Midwest, Southeast, Northeast, and Noncontiguous geographies.

Historical information was also used to trend the cost of travel incidentals. Total amount and detail on the split between CNCS share and grantee share is included in the budget.

The following are REDF's specific travel calculations:

SIF recipient meeting for four staff (CEO, project lead, evaluation lead, and finance lead) = 4 people x \$450 airfare + \$550 lodging + \$70 per diem x 2 days

Portfolio Management - Airfare = 30 people x \$200 airfare approx. cost of Pacific to Pacific travel

Portfolio Management - Lodging = 25 people x \$300 lodging approx. cost of Pacific lodge

Portfolio Management - Ground Transportation = \$3,000 based on historical mileage costs + \$1,810 based on historical parking costs in LA/SF downtown/airport + \$150 based on historical tolls in East Bay/Silicon Valley travel + \$9,840 based on historical car rental costs in SF

Geographic Expansion - Airfare = 6 people x \$450 airfare approx. cost of Pacific to Northeast travel

Geographic Expansion - Lodging = 12 people x \$550 lodging approx. cost of Northeast lodge

Geographic Expansion - Ground Transportation = \$800 based on approx. parking costs + \$900 based on approx. car rental costs

Local Ecosystem - Airfare = 4 people x \$400 airfare approx. cost of Pacific to Southwest travel

Local Ecosystem - Lodging = 8 people x \$125 lodging approx. cost of Southwest lodge

Local Ecosystem - Ground Transportation = \$300 based on approximate mileage costs + \$300 based on approx. car rental costs

3. In the budget narrative in eGrants, Section E. Supplies, the description provided is incomplete. Please provide a complete description for Supplies for the proposed project.

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A. The supplies budget was calculated by using the average % employee effort toward SIF activities and the total 2015 REDF supplies and maintenance budget.

Total 2015 REDF Supplies & Maintenance Budget x Average SIF Staff Effort = SIF supplies budget
 $\$20,735 \times 47.19\% = \$9,785$

4. In the budget section in eGrants, Section H. Other Costs, please add in sub-grantee match. The intermediary has a 1:1 match and the sub-grantees have a 1:1 match.

A. The subgrantee match line item was added directly to the application.

Continuation Changes

N/A

Required Documents

Document Name

Status

Match Verification

Sent