

REDF



Case Study: California Regional Initiative for Social Enterprise (CA RISE)

THE CHALLENGE

In July 2023, California's unemployment rate rose to 4.6 percent, a 0.1 percentage point increase from just two months prior. At the same time, employers faced an inadequate supply of skilled workers, holding back economic resurgence in the wake of the pandemic.

One of the reasons for the anemic talent pipeline is that many individuals are sidelined from the traditional job market. Their lived experiences with the justice system, unstable housing, violence, trauma, mental health and/or substance use – often caused and compounded by racism – impact job acquisition, retention, and skill building, while these factors also influence employer decisions about hiring and promotions. In the State of California between 2019 and 2021, the number of unsheltered people rose by 7%, to 116,600. According to the California Department of Corrections and Rehabilitation, California's recidivism rate has averaged around 50% over the past ten years.

A SOLUTION

Employment social enterprises (ESEs) are innovative businesses uniquely positioned to provide paid employment and the holistic support and training needed for individuals to fully participate and succeed in the workforce. There are nearly 800 of these mission-driven businesses across the United States, led by talented entrepreneurs, that reinvest business revenue into jobs, training, and support for the people they employ. They remove barriers that limit access to good jobs. They provide trauma-informed supports and empower individuals to reach social and economic stability. A growing body of evidence demonstrates their positive impact on job retention, income growth, and housing stability.

Many ESEs lack access to traditional financing and technical assistance that allow them to employ a greater number of people, become more sustainable, and achieve even better results. As an example, because many operate as nonprofits, ESEs are not recognized as small businesses by the U.S. Small Business Administration. Thousands of individuals need access to the life-changing employment opportunities provided by ESEs, and employers need well-prepared talent to drive economic growth. The State of California Future of Work Commission recognized these challenges and proposed in their final recommendations that the State extend financial and technical assistance to ESEs.

THE ROADMAP: ELEVATING ESE AWARENESS

[REDF](#), a 501(c)3 that invests exclusively in ESEs and builds the ESE sector, has been leading an ESE education campaign for more than 10 years. This campaign has included proposals for how state and local governments can invest in ESEs, particularly in relation to the challenges of reentry and homelessness, and organizing ESE site visits as well as numerous meetings with both elected officials and government agency leaders. These are important steps that ESEs and regional partners can also take to educate government and elected officials about the value of the sector. Despite their success and growth, more can be done to build awareness of the success and growth of ESEs.

ESEs sit squarely at the intersection of workforce and economic development, as job creators and employers that focus on workforce development. Distinctive features of ESEs include revenue generation that is reinvested into services and training for the people employed, and the fact that individuals earn while learning on the job. Their business model and focus on employing a talented yet sidelined labor pool aligns them with policy areas ranging from economic development to reentry, homelessness to racial equity. And as businesses, they can participate in industry sectors including infrastructure and climate, and in high road training partnerships. The ability to engage in various focus areas can provide some flexibility at the state or local level to partner with and advance legislation that aligns with the political interests of the region.

REDF's policy work in partnership with a coalition of ESEs intentionally included specific ESE callouts in existing government programs (procurement contracts and grant applications), and advocacy on the budget and through legislation. This work was critical to creating relationships and laying the foundation for future work. Some of the milestone advocacy successes and learnings over the past decade have included:

- In 2016, REDF sponsored its first bill, [California Senate Bill 1219](#). Though vetoed by Governor Brown due to information technology costs, this bill would have granted an ESE the preference and status to secure state business and procurement contracts. Additionally, the bill would have established a state-level certification for ESEs that can be recognized by a local jurisdiction or special district for local procurement preferences.
- In 2017, REDF sponsored and helped to pass [California Assembly Bill 415](#) that allowed for counties and/or the State to contract directly with ESEs for CalFresh (California's Supplemental Nutrition Assistance Program) Employment and Training funds to support a robust array of education and training.



- In 2019, REDF backed a budget proposal to create an ESE-specific program in the State of California modeled on the federal [Social Innovation Fund](#). Ultimately, the political will was not yet there.
- In 2020, to address the challenges ESEs faced in the context of the COVID-19 pandemic and to grow our sector's clout, REDF created the policy coalition [California Resourcing ESEs Together \(CA RESET\)](#).
- In 2021, several 'wins' were a culmination of past advocacy efforts, and mobilizing the CA RESET coalition:
 - REDF sponsored a bill to define an ESE under the California Workforce Innovation Opportunity Act, and with unanimous and bipartisan support from the State Legislature, Governor Newsom signed [California Senate Bill 779](#) into law.
 - [California Assembly Bill 628](#) specifically named ESEs as a collaborative partner with workforce for the [Breaking Barriers to Employment Initiative](#).
 - ESEs were formally named twice by the California Workforce Development Board (CWDB) in: 1) the [Employment Models for Transitional Jobs Information Notice](#) and 2) the [Workforce Accelerator Fund](#) application.
 - The [Clean California Initiative](#) to clean and transform public spaces near highways included a \$150 million investment with a significant portion flowing to ESEs through procurement.

A POLICY SOLUTION - CALIFORNIA REGIONAL INITIATIVE FOR SOCIAL ENTERPRISE (CA RISE)

The necessary components for a successful advocacy effort are broad education to raise awareness, coalition building, and identifying champions. With a decade of advocacy work, and the positive impact and societal benefits of ESEs, REDF saw an opportunity for the 2022-23 budget as the State was projecting a surplus. These factors presented the conditions for potential flexible spending and new programming.

The State of California 2022-23 State Budget set a national precedent by creating CA RISE (The California Regional Initiative for Social Enterprise), the first-ever program to invest dollars and technical assistance explicitly and specifically into ESEs.

With the power of ESEs, local government, and philanthropy statewide, as well as an advocacy firm, California's State Legislature – including nine champions, the Governor, and the Governor's Office of Business and Economic Development (GOBiz) – was motivated to make this investment by the growing evidence of ESE achievements and positive impacts as a strategy that aligns business and economic development with jobs and skill building for individuals overcoming high barriers to employment. The average employee of an ESE in California is: male, BIPOC (Black, Indigenous or person of color), 25% have never been employed, 70% have been convicted of a crime, and 80% have experienced housing instability. The CA RESET coalition helped design CA RISE, raised awareness, and advocated at each stage of the policy and budget process.

HOW CA RISE WORKS

CA RISE will support ESEs to provide targeted, specialized employment and workforce training that will enable local entities to create regional networks that connect ESEs and their employees with the broader economy. The State invested \$25 million to establish CA RISE. The new program will be administered by GOBiz, specifically the [California Office of the Small Business Advocate \(CalOSBA\)](#). This policy solution started as a fiscal bill (legislation with financial implications), and then was integrated into the 2022-23 State Budget. The budget language is [here](#), (see Section 15) and the trailer bill language (legislation that trails budget legislation) is [here](#) (see Section 4).



The CA RISE Program will provide grants and technical assistance to ESEs and connect them with local public partners, training providers, and private sector employers to accelerate economic mobility for individuals that experience employment barriers. The program is projected to work as follows:

1. CalOSBA will release two Request for Proposals – one for a fiscal agent and another for program implementation.
2. Once selected through a competitive process, the fiscal agent will be responsible for the financial transactions and accountability (related to check-writing for the grants, ensuring compliance, etc.). The program implementer will identify and select ESEs to receive grants of up to \$500,000, and technical assistance (up to 30% of the funds can be utilized for that purpose) meant to fuel business sustainability and growth by supporting the entrepreneurs that lead ESEs and developing the practices, systems, and supports that lead to job retention and skill building for the individuals employed.
3. To diversify the allocation of capital and technical assistance resources, ESEs led by leaders with lived experience and/or located in the Inland Empire and Central Valley will be given preference in selection.

Employment social enterprises are businesses achieving transformative social impact – providing jobs, training, and support to people with deep reservoirs of resiliency and talent, who have been sidelined from the workforce due to histories of homelessness, incarceration, and other steep barriers to employment,

barriers that are compounded by the racial inequities in our systems. ESEs exist because they see this talent pool for the strengths they hold and contributions they can make, not the barriers they are striving to overcome.

CA RISE is an innovative policy solution adopted by the State of California which will provide the funding and infrastructure needed to further scale this evidence-based approach, help solve many of the urgent challenges facing our state, and give more people the opportunity to contribute to economic growth, and the stability and flourishing of themselves and their families.

HOW TO BUILD ON CA RISE'S SUCCESS

By incorporating and including ESEs in small business programs and policy, we can create systems and communities that are in service of creating an economy that works for everyone. Two key stakeholders in this system design are (1) government agencies and (2) ESEs. Below are recommendations on how each stakeholder can contribute towards building a better economy:

1. Government agencies can replicate the CA RISE model: Business and economic development state agencies can partner with ESEs in their state to identify and address the unique challenges needed in your state.
2. ESEs can advocate for the creation of their own version of RISE. After a landscape and political analysis, ESEs can organize and advocate for statewide dollars and technical assistance specifically reserved for ESEs using the CA RISE [policy](#) and [budget](#) language.

If you are a government agency or an ESE interested in learning more about how to invest in the ESE model, please contact Manie Grewal, Head of Policy, at mgrewal@redf.org.

ABOUT REDF

REDF invests in employment social enterprises (ESEs) – businesses that provide jobs, training, and support to people breaking through barriers to employment. REDF partners with these businesses and the entrepreneurs who lead them – providing capital, capacity, and community – to amplify their transformative impact. Since 1997, REDF has invested in more than 280 ESEs in 38 states and DC. Collectively these partnerships have helped 100,000 people enter the workforce and generate more than \$2 billion in revenue that is reinvested in employee success – creating a ripple effect that strengthens families and communities and helps build an economy that works. For everyone.

