

United States Senate

WASHINGTON, DC 20510-2309

January 27, 2010

The Honorable Harry Reid
Majority Leader
United States Senate
S-221, U.S. Capitol
Washington, DC 20510

The Honorable Richard Durbin
Assistant Majority Leader
United States Senate
309 Hart Senate Office Building
Washington, DC 20510

The Honorable Max Baucus
Chairman, Finance Committee
United States Senate
511 Hart Senate Office Building
Washington, DC 20510

The Honorable Byron Dorgan
Chairman, Democratic Policy Committee
United States Senate
322 Hart Senate Office Building
Washington, DC 20510

Dear Majority Leader Reid, Assistant Majority Leader Durbin, and Chairmans Baucus and Dorgan,

As you work to craft a jobs creation bill to be brought to the Senate floor, I urge you to consider the following priorities that I strongly believe will create the most jobs and provide the most relief to Main Street.

Direct Job Creation Provisions

Provide a direct wage subsidy for small businesses to create jobs and provide grants to states, localities, and tribal governments to retrofit public buildings. I've introduced legislation (S. 2952, the Strengthening Our Economy Through Employment and Development Act) to rapidly create hundreds of thousands of jobs in the private and public sectors. This legislation has two components; first, it offers wage subsidies to employers who create jobs. Local workforce areas will be administering this program on the ground, allowing states to tailor their efforts to get small and medium-sized businesses to expand their workforces.

The second component of the bill makes separate funding available to states, municipalities, units of local government, and tribes to receive grants to directly hire workers to retrofit public buildings to increase energy efficiency. This aspect of the legislation will put skilled laborers to work making improvements to infrastructure—all while helping reduce energy costs in the long-term.

My legislation is modeled on a program used effectively in Minnesota in the 1980's, called the Minnesota Emergency Employment Development program. The program created thousands of jobs in Minnesota, and has enormous potential to do the same on a national level. I urge the inclusion of this program into the Senate jobs creation package. I have attached two summaries of the MEED program to this document for your review.

Invest in Infrastructure and Public Jobs. In December, I joined 23 of my colleagues in a letter to the President about the urgent need to fund infrastructure projects. We all come from states that have well-documented infrastructure repair needs, and they're going to have to be addressed sooner rather than later. Funding projects to address these needs will put people to work quickly while improving the roads, schools, and water treatment systems so vital to our states.

Along with infrastructure, we need to be going further in addressing the short-term needs of our public sector workers. Neighborhoods will be at risk of losing their firefighters, police officers, and teachers if we pass a jobs bill doesn't address these needs. The provisions in the House bill offer the kind of investment I think our communities deserve.

In particular, I was very pleased to see that the House included \$23 billion for the Education Jobs Fund in its jobs bill. I support including a similar fund for education jobs in our bill, and would request that \$100 million of these funds be spent on additional support personnel for homeless youth, including McKinney-Vento Homeless Liaisons and school social workers. We also must ensure that we set aside 1% of the education jobs funding for Bureau of Indian Education (BIE) schools.

Stimulate Small Business Lending. The lack of available credit for small businesses is one of the main drivers of unemployment today. Without the necessary capital, small businesses won't have the resources they need to hire workers. 32 of my fellow senators and I wrote a letter in October to President Obama asking for his help in leveraging TARP funds to make \$50 billion available in loans to small business. Any job creation legislation would be dramatically enhanced by creating a large pool of capital available to small businesses for their expansion and growth.

Social Safety Net Provisions

Extend COBRA Subsidy and Unemployment Insurance. The Senate jobs-creation package should contain an extension of unemployment benefits and eligibility for the COBRA Subsidy Program through December 31, 2010. As Minnesota and the rest of our country continue to battle record unemployment rates, we must continue to offer vital safety net coverage for the American family.

I was very pleased that the Senate was able to pass a two-month extension in December for both of these programs, but recent employment numbers prove we must immediately extend jobless benefits and health assistance for individuals and families squeezed in this tighter economy. Nearly 40 percent of the unemployed – more than 6.1 million people – have been out of work for six months or longer. The average duration of unemployment is now at 29.1 weeks.

On average, a monthly health care premium payment to cover a family costs \$1,111, which represents 83.4% of the average unemployment check. While short-term extensions are helpful, they strain state agencies and decrease predictability for struggling families. As our economy continues on a path to recovery, we need a robust extension of safety net programs that provide a lifeline to families. Therefore, I urge an extension of the unemployment insurance provisions in the American Recovery and Reinvestment Act through December 31, 2010, including the Emergency Unemployment Compensation Program, full federal funding of the Extended Benefit program, an increase of \$25 per week in state and federal benefits, and the suspension of the federal income tax on an individual's first \$2,400 of unemployment benefits. In addition, we must also extend the eligibility period of the COBRA Subsidy Program through December 31, 2010.

Expand Eligibility for Free School Meals. The House jobs bill aims not only to create jobs, but also to help unemployed workers meet their and their families' basic needs as they seek new job opportunities. I believe we should adopt a similar approach to the jobs crisis in the Senate. As part of this approach, we should expand eligibility for free school meals to children in the reduced price category on a temporary basis.

Children in families at 130 to 185 percent of the poverty line are currently eligible for reduced price school meals. In this tough economy, an increasing number of these children are being turned away from the school lunch counter because their parents cannot afford to pay even the reduced price. Many of their parents are coping with recent job losses or reductions in their wages and work hours. We can help alleviate the effects of the recession on these children by temporarily making them eligible for free school meals.

This strategy, modeled on the proposal in my Expand School Meals Act, would reduce child hunger and ease the daily struggle of families hit hardest by the recession. It would also help prevent children of unemployed or underemployed parents from falling behind in school as a result of hunger. Parents understand and research confirms that children have difficulty learning on empty stomachs, and that hungry children are likely to underachieve in school.

Conclusion

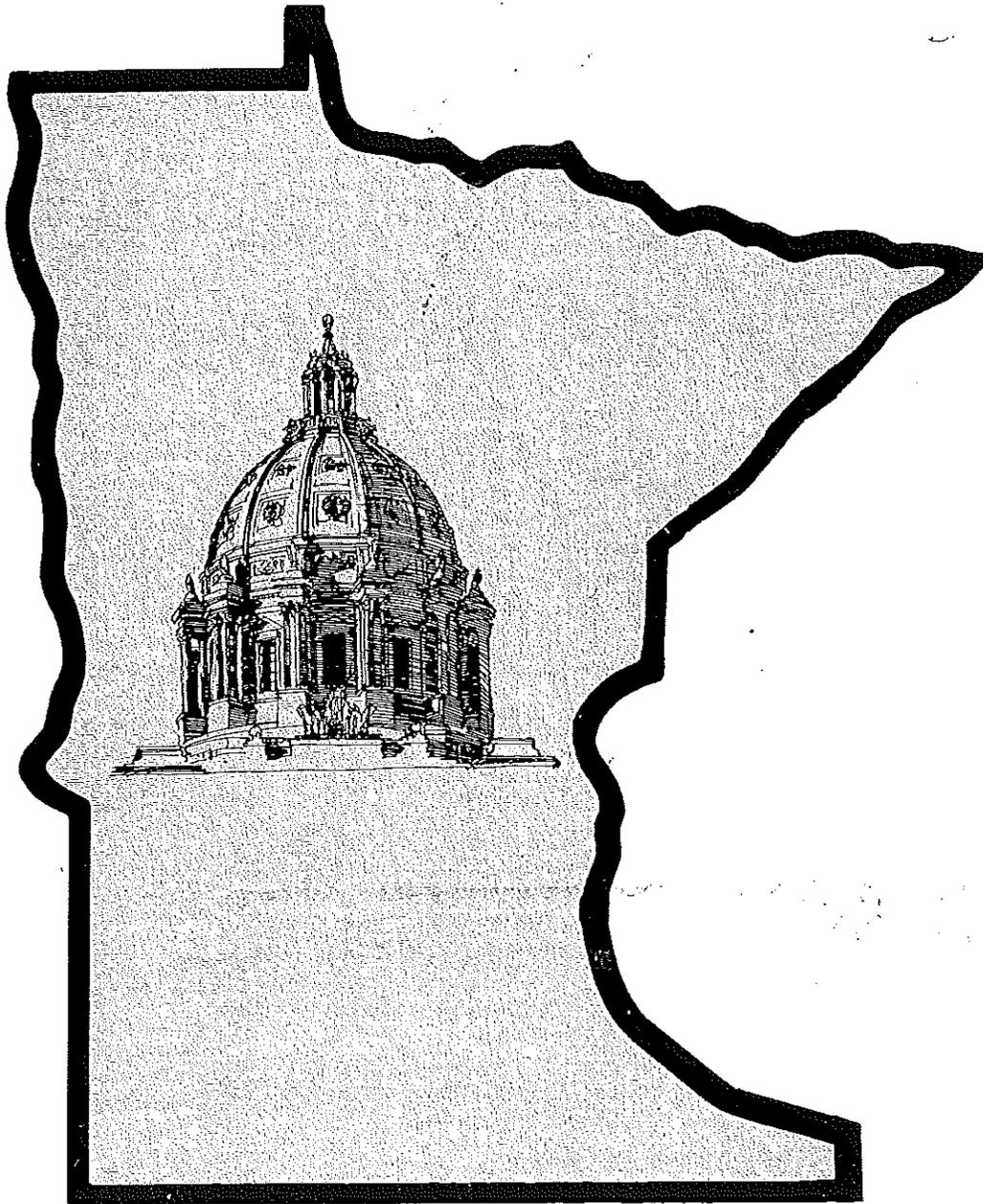
We've done plenty to stabilize Wall Street; now it's time to get Main Street back in order. Luckily, the path to job-creation is clear: support unemployed workers and their families while investing in the professions that have made our country great. That means a jobs creation bill that focuses on incentives for hiring, jobs that improve our communities, and maintaining a reliable safety net for those out of work.

I hope that you will find these proposals useful and choose to include them in the Senate jobs creation bill. I thank you in advance for all of the hard and difficult work that this bill will require. Please let me know if I can be of assistance in this process, and I look forward to working together to quickly create the jobs our country needs.

Sincerely,

A handwritten signature in black ink, appearing to read "Al Franken", with a long horizontal flourish extending to the right.

Al Franken
United States Senator



Minnesota Emergency Employment Development (MEED) Program

FINAL REPORT

July 1, 1983 - December 31, 1985

MESSAGE TO THE MINNESOTA STATE LEGISLATURE

As commissioner of the Minnesota Department of Jobs and Training, I am pleased to present this 30-month final report on job creation activities authorized under the Minnesota Emergency Employment Development (MEED) Act for the period July 1, 1983, through Dec. 31, 1985.

Among its accomplishments, MEED has shown private sector acceptance of a business/government partnership to create permanent jobs. In the 30 months, 30,500 people enrolled in MEED, with more than 60 percent filling private-sector jobs. Over 14,000 private sector jobs were created.

From July 1, 1985, through Sept. 30, 1985, all new job placements were in the private sector. Approximately 80 percent of placed participants retained their positions 60 days after the 6 month subsidy ended.

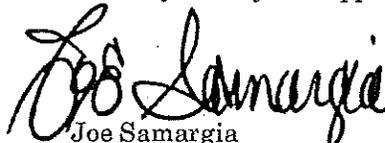
The program also has worked as an economic development tool. MEED has provided businesses with immediate expansion capital and the necessary resources for creating new jobs.

MEED has succeeded in reaching unemployed individuals who are ineligible for unemployment insurance or workers' compensation benefits.

As a result, projections indicate that the entire public investment in the program will be repaid by December 1988. Employing these workers through MEED has increased tax revenues and decreased general assistance expenditures.

With your support MEED can continue to be a cost effective means of promoting economic growth and creating new jobs for Minnesotans.

Thank you for your support.


Joe Samargia
Commissioner



INTRODUCTION

Minnesota Emergency Employment Development (MEED) Act, enacted by the state Legislature in 1983, completed its two-year period of authorization on July 30, 1985. The 1985 Legislature extended the program for an additional six months with a sunset date of December 31, 1985. The law provided incentives to employers to hire and retain unemployed Minnesotans who were ineligible for unemployment or workers' compensation benefits.

For each MEED worker, the state subsidized up to \$4 an hour in wages and up to \$1 an hour in fringe benefits. Employers who retained the workers for one year or more beyond the six-month subsidized period were not required to repay the subsidy. For any lesser period a portion of the subsidy was repaid.

The program succeeded in bringing together the private and public sectors. MEED stipulated that priority be given to private-sector placements "to the extent eligible businesses apply," and that 40 percent be private-sector placements.

However, by the second year of operation, private sector participation was dominating the program and the Legislature raised the placement goal for private jobs from 40 percent to 60 percent. This assured a minimum of 60 percent of placements would be in long-term, permanent jobs. The MEED program actually reached a 70 percent private-sector placement rate in the second year.

In two and a half years, MEED's goal was to average 46 percent placement in private-sector jobs. The actual average placement was 60 percent.

To continue the successful MEED program, and to take the place of the original legislation, the 1985 Legislature created a permanent Minnesota Employment and Economic Development (MEED) Wage Subsidy Program. The new law furthers the cooperation that had been established among the various segments of the public and private sectors.

The present MEED program targets two new priority groups: farmers or members of farm households that demonstrate severe financial need; persons eligible for or receiving Aid to Families with Dependent Children (AFDC) benefits. Those people receiving general assistance and households with no source of income remain as priorities under the program.

This report demonstrates that MEED met its goal of being simple and effective with low administrative costs. State and Local administrative costs amounted to less than five percent (4,795,553 or 4.4%). The cost for administering the State MEED Office was less than one percent (\$577,158 or .5%).

This report outlines the achievements accomplished over the 30 month period from July 1, 1983, through Dec. 31, 1985, and provides evidence that a public/private partnership can work in job creation and retention efforts.

The Partnership

EMPLOYER EVALUATION OF MEED

MEED's success can be attributed directly to the enthusiasm exhibited by the private sector toward the program. Evidence of this success was reported in a article in *The Entrepreneurial Economy* (February 1985):

Whereas most jobs programs must continually struggle to find employers' willing to participate in their program, MEED has Minnesota's small business sector literally gearing up for the opportunity to hire its targeted workers. Although part of this enthusiasm can doubtlessly be attributed to Minnesota's history of excellent public/private relations, the size of the subsidy and the often-noted lack of bureaucratic strings easily account for the rest. For the small but growing firm, an up to \$4 an hour wage subsidy can easily make the difference between business contraction and expansion.

Based on reported results, MEED has had a positive impact on the Minnesota small business community. Studies by the Massachusetts Institute of Technology, the Brookings Institute and the Small Business Administration have shown that the vast majority of new jobs are created by small businesses with fewer than 100 employees. A survey conducted by the Jobs Now Coalition, a nonprofit employment advocacy group, indicated that 95 percent of responding businesses that hired MEED workers had fewer than 100 employees and approximately 83 percent had fewer than 20 employees.

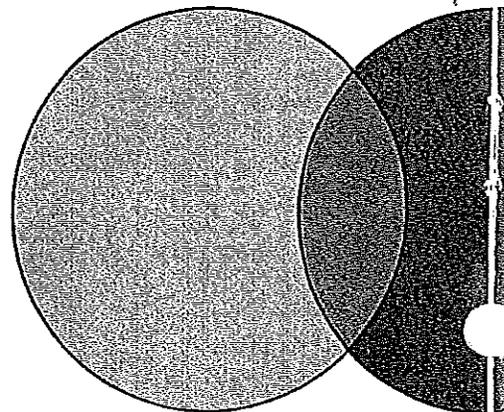
MEED has worked with small businesses in all segments of Minnesota's economy, including agriculture (3 percent of total participation); manufacturing (19 percent); construction (8 percent); wholesale trade (6 percent); retail trade (25 percent); services (30 percent); finance, insurance, real estate (7 percent); and transportation, communication, utilities (2 percent).

Family-owned businesses, such as grocery stores, hardware outlets, manufacturing firms, legal partnerships and motels, all have joined in the job creation effort. These businesses have given participants jobs as clerks and administrative assistants (28 percent of total placement), assemblers (20 percent), precision craft workers (11 percent) and sales people (5 percent).

The program has promoted state economic growth; approximately one-half of the participating employers sold goods and services outside Minnesota, thus increasing the gross state product. MEED has assisted high-technology industries of the future (3 percent of total participating employers) and export-oriented business, professional and related service industries (24 percent).

Sixty-three percent of the employers would not have expanded their work forces without MEED, citing a cash shortage as the principal reason. Likewise, 79 percent said MEED enabled them to expand their production or scale of operation and almost half said they were able to diversify because of the program.

A public program's complexity can deter businesses from wanting to participate. MEED was designed to be simple and easy for employers to use. Participating employers cited lack of "red tape" as an incentive to use the program.



MEED - THE PARTICIPANTS

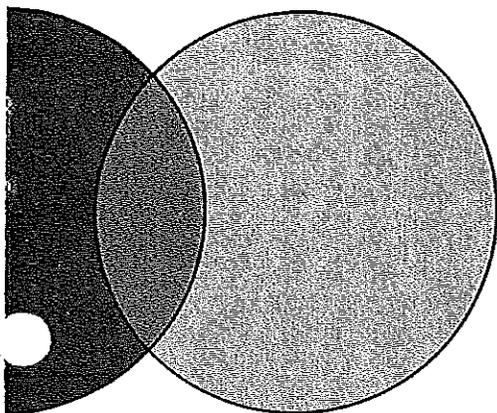
The MEED program has helped a large number of unemployed Minnesotans to secure permanent jobs in the private sector. While the specific participant characteristics, data and analysis are exhibited in the latter portion of this report, certain conclusions can be cited here which clearly indicate that MEED has succeeded in creating jobs for those unemployed Minnesotans who require assistance in becoming economically self-sufficient.

MEED has reached many of those most in need. Through December 1985, the program served more than 30,500 individuals. More than 11,500 participants were eligible for public assistance while another 7,800 were members of families without incomes. The program served almost 13,000 women.

While minorities represent only four percent of the general population, 14 percent of those who found jobs through MEED were members of minority groups. A March 1985 report issued by the Jobs Now Coalition, a nonprofit employment advocacy group, indicated that MEED effectively served participants with dependent children. According to their report, approximately one-third of participants had dependent children and this compared favorably with 1980 Census data showing that one-fifth of all Minnesota's poor families have dependent children.

A total of 77 percent of Coalition-surveyed participating employers provided job training to MEED participants. Most of the training was for skilled occupations, such as clerical and administrative support, machine operation, electronic assembly and transportation.

Many of the permanent MEED jobs have resulted in employee wages that exceeded the \$4 an hour subsidy. The average hourly wage was \$5.15. Sixty days after the end of a subsidy period, more than 83 percent of MEED workers remained on the job.



MEED WORKS: Home, Health and Hospital Services and Supplies

Did the Minnesota Emergency Employment Development (MEED) Act do what it set out to do?

Ask Rod or Cathy Baudeck, who own and operate Home, Health and Hospital Services and Supplies in Hibbing. Their firm has been providing in-home nursing care and services to disabled and elderly Iron Range residents for eight years.

With federal cutbacks in social services, Medicare and Medicaid, the Baudecks saw the need to add to their privately offered services. They went to the Arrowhead Economic Opportunity Agency for help in expanding their business. There they learned about MEED.

MEED helped them hire a maintenance worker, an executive secretary, a computer programmer and a registered nurse. Their present staff consists of 25 professional and paraprofessional health-care service providers.

"I was very impressed with the high quality of referrals provided by MEED through the Arrowhead Economic Opportunity Agency,"

Cathy Baudeck said. "MEED is a multifaceted program referring competent individuals for a wide variety of jobs."

"The state MEED Program has been very beneficial to our business, enabling us to double our expansion rate," Rod Baudeck added.

Juanita Soby, who graduated from Hibbing Community College in 1985 with a certificate in registered nursing, was one of those hired. She is now working as a nurse, earning \$6.50 an hour.

"Without the MEED Program I would be back on AFDC because I am a single parent supporting two children," Soby said.

For the Baudecks the MEED program has worked extremely well and the future looks bright.

"With a MEED wage subsidy, a new and expanding business can stay cost effective until they are established and turning a profit," Cathy Baudeck said.

MEED WORKS: SciMed Life Systems

SciMed Life Systems is a Plymouth manufacturer of robotic equipment, measuring devices and other implements used by the medical profession. SciMed employs approximately 150 workers and is an integral part of the medical services expansion presently taking place in Minnesota. The company employs two MEED workers at the present time.

Last year, Pam Gilmer, personnel manager at SciMed Life Systems, had prepared a description for a job that periodically required lifting material weighing 100 pounds. For help in filling the position, she called a job developer at H.I.R.E.D., a job training agency contracted by the Minneapolis Employment and Training Program to operate MEED.

Gilmer described the position. The job developer said the person called for would need to be a weight lifter. Fortunately, the job developer had an outgoing, enthusiastic candidate who could handle the job — Wilson Ingram.

Ingram had been unemployed for seven months. He previously had held a series of low-paying jobs, which promised no opportunity for advancement.

Wilson was hired on the spot. His starting wage was \$5.50 an hour. On May 6, 1985 Wilson began his new job as an electronic assembler. He chose to work the night shift because it paid 30 cents an hour more than the day shift.

Within 90 days, Wilson had been promoted to a supervisory position, with a one-stop raise to \$8.10 an hour.

Currently, Wilson is earning \$8.36 an hour and has moved to the day shift. His is just one success story—an example of a qualified worker who has found permanent employment through the MEED program at a salary that exceeded by a considerable amount any he previously had been able to earn.

Minnesota Emergency Employment Development (MEED) Act Allocation of \$108 Million as of December 31, 1985.

Service Delivery Area	Base Allocation July 1, 1983 June 30, 1985	Base Allocation July 1, 1985 Dec. 31, 1985	*Other July 1, 1983 Dec. 31, 1985	Total Allocation	Total Spent Through Dec. 31, 1985
Region 1 (Northwest)	2,261,652	153,107	484,222	2,898,981	2,481,622
Region 2 (Northeast)	10,786,186	592,018	2,891,942	14,270,146	12,642,130
Duluth	2,201,929	167,505	1,082,504	3,451,938	2,892,253
Regions 2, 4, 5 (North Central)	9,239,970	681,278	3,069,531	12,990,779	11,979,093
Regions 6E, 7E, 7W (Central)	9,812,462	640,495	542,801	10,995,748	9,059,438
Region 9 (South Central)	4,280,011	268,233	500,589	5,048,833	4,929,076
Region 10 (Southeast)	7,599,615	485,445	504,642	8,589,702	7,921,787
Regions 6W, 8 (Southwest)	3,372,280	237,275	224,537	3,834,092	3,226,969
Minneapolis	6,572,110	726,896	1,443,670	8,742,676	8,046,792
Hennepin County	9,162,725	444,164	1,467,962	11,074,851	10,497,603
Carver County	678,367	28,863	104,354	811,584	780,134
Scott County	935,167	48,518	72,631	1,056,316	878,644
St. Paul	4,968,562	446,602	1,274,996	6,690,160	5,093,136
Ramsey County	3,005,587	146,340	164,047	3,315,974	2,988,488
Anoka County	3,790,725	211,226	702,267	4,704,218	4,229,254
Dakota County	3,446,484	190,689	180,339	3,817,512	3,618,816
Washington County	1,874,097	103,346	447,828	2,425,271	2,155,964
Subtotal	83,987,919	5,572,000	15,254,081	104,814,000	93,421,199
Central Administration				840,000	577,158
Transfer to Article 8				200,000	200,000
Discretionary				2,368,000	2,368,000
Total				108,222,000	96,566,357**

Total allocated includes \$222,000 in reallocated payback dollars.
Balance of payback dollars to be reallocated is \$527,733.

*Other allocations include additional dollars for areas with high unemployment rate, high general assistance populations, Indian Reservations and job retention incentives.

**The total dollar figure does not represent dollars obligated in employer contracts that were carried over on Dec. 31, 1985.

\$8 million of the \$27 million was allocated for the period July 1, 1985 to December 31, 1985.

APPPLICANT/PARTICIPANT SUMMARY REPORT

During the 30-month period ending Dec. 31, 1985, a total of 125,055 applicants were declared to be MEED eligible. Of the eligible applicants, 45 percent were eligible for general assistance, 5 percent were eligible for Aid to Families with Dependent Children (AFDC), and 20 percent were households without incomes. Of the eligible applicants, 64 percent were men and 36 percent women.

Actually enrolled in the program were 30,547 individuals, or 24 percent of the eligible applicants. Approximately, 21 percent of general assistance eligibles and 31 percent of eligible members of "households without other income" became participants. Approximately 29 percent of eligible females also were enrolled.

Of the total number enrolled, 38 percent were general assistance eligible, 2 percent AFDC eligible and 26 percent were households with no source of income.

Fourteen percent of those who found jobs through MEED were members of minority groups. Females enrolled comprised 42 percent. Fourteen percent of the individuals enrolled were veterans.

Of the 30,547 participants, 60% were enrolled in the private sector; 40% were enrolled in the public sector. A total of 14,948 (49 percent) have found permanent, unsubsidized jobs earning an average wage of \$5.07 an hour. Other participants who left the program found other jobs, returned to full-time school, entered other training programs or were unable to continue. Another 2,616 were transferred into the new MEED program.

Of the 8,044 individuals who were in a private sector subsidized job and who received follow-up 60 days after completion of the subsidy, 83% were still employed. These workers earned an average hourly wage of \$5.15.

Applicant/Participant Report
through Dec. 31, 1985
Total MEED Program

Applicant Information			
Total Eligible Applicants	125,055	Household without Income	25,243
Work Readiness	2,098	Other Eligible	35,386
GA Eligible	55,847	Female	45,083
AFDC Eligible	6,134		
Farm Household/Financial Need	347		

Participant Information			
Total Enrolled to Date	30,547	22-44 years old	19,958
Work Readiness	205	45 years and older	3,090
GA Eligible	11,537	Black	1,550
AFDC Eligible	449	Hispanic	361
Farm Household/Financial Need	70	American Indian	1,686
Household without Income	7,838	Asian/Pacific Islanders	577
Other Eligible	10,448	Veterans	4,119
Female	12,919	Required Day Care Aid	757
21 years old or younger	7,499		

Reason for Termination			
Total Leaving Program	27,931	Entered Other Training Program	269
Employed Unsubsidized	\$5.07* 14,948	Other	12,181
Full Time Education	533		

Participants Carried Over to New MEED			
Number Currently Enrolled	2,616	Number in Private Sector	1,986
Number in Public Jobs	369	Number in Other Status	261

60-Day Follow-Up Status for Employed Unsubsidized Participants			
Number Receiving Follow-up	13,110	Number of Other Unsubsidized Employment	5,066
Number Private Sector/State Subsidy	8,044	Employed	\$5.44* 3,898
Employed (MEED Employer)	\$5.09* 6,036	In School	37
In School	42	Unemployed	613
Unemployed	682	Other	518
Other	640		
Employed (New Employer)	\$5.20* 644		

*average hourly wage

CURRENT MEED (WAGE SUBSIDY) SERVICE PROVIDERS

SERVICE DELIVERY AREA

ADMINISTRATOR

Northwest Minnesota

Kittson, Marshall, Pennington, Roseau, Norman, Polk, Red Lake

Mary Brunkow
Department of Jobs and Training
418 Third Ave. E.
Alexandria, MN 56308
612/762-2131

Rural Minnesota Concentrated Employment Program (CEP) Inc.

Becker, Beltrami, Cass, Clay, Clearwater, Crow Wing, Grant, Hubbard, Lake of the Woods, Mahnomon, Morrison, Pope, Stevens, Traverse, Wilkin, Douglas, Otter Tail, Todd, Wadena

Larry Buboitz
Rural Minnesota CEP Inc.
P.O. Box 1108
Detroit Lakes, MN 56501
218/847-9205
1-800/492-4804

Northeast Minnesota

Aitkin, Carlton, Cook, Koochiching, Lake, Itasca, St. Louis (except City of Duluth)

Vincent Gentilini
Arrowhead Economic Opportunity Agency
Sixth Street and Third Ave. S.
Virginia, MN 55792
218/749-2912
1-800/662-5711

City of Duluth

Julie Smith
Duluth Job Training Programs
332 City Hall
Duluth, MN 55802
218/723-3771

Private Industry Council (PIC) 5

Chisago, Isanti, Kanabec, Meeker, Mille Lacs, Pine, Renville, Sherburne, Wright

Richard Furcht
Private Industry Council 5
P.O. Box 187
Clearwater, MN 55320
612/558-2223

Benton, Stearns, Kandiyohi, McLeod

Dale Heimermann
Department of Jobs and Training
P.O. Box 67
St. Cloud, MN 56302
612/255-3266

Southwest Minnesota

Big Stone, Chippewa, Lac Qui Parle, Swift, Yellow Medicine, Murray, Lincoln, Lyon, Pipestone, Redwood, Cottonwood, Jackson, Nobles, Rock

David Thompson
Southwest Minnesota PIC
P.O. Box 1213
Marshall, MN 56258
507/532-4411

South Central Minnesota

Faribault, Martin, Watonwan, La Sueur, Nicollet, Waseca

Sandy Oppegard
South Central PIC
P.O. Box 3327
Mankato, MN 56001
501/345-1837

Blue Earth County

Randy Gilreath
Blue Earth County Employment & Training
410 S. Fifth St.
Mankato, MN 56001
507/825-3031

Brown, Sibley

Leigh Hellman
Department of Jobs and Training
P.O. Box 696
New Ulm, MN 56073
507/359-2031

Southeastern Minnesota

Dodge, Fillmore, Freeborn, Houston, Mower, Olmsted, Goodhue, Rice, Steele, Wabasha

Richard Harris
Southeast Minnesota PIC
1530 Highway 52
Rochester, MN 55901
507/281-1193

Winona County

Jane Saunders
Department of Jobs and Training
52 E. Fifth St.
Winona, MN 55987
507/457-5460

West Metro
Carver County

Jim Broucek
Carver County Employment & Training
Carver County Courthouse
P.O. Box 7
Chaska, MN 55381
612/448-3661

Scott County

Jean Sinell
Scott County Employment & Training
Courthouse #320
Shakopee, MN 55379
612/445-7750

Hennepin County

William Brumfield
Hennepin County Training & Employment Assistance
300 S. Sixth St.
Minneapolis, MN 55487-0012
612/348-4139

City of Minneapolis

Donna Harris
Minneapolis Employment & Training Program
310½ City Hall
Minneapolis, MN 55415
612/348-4383

East Metro
City of St. Paul

Jacqui Shoholm
Department of Planning & Economic Development
City Hall Annex
25 W. Fourth St.
St. Paul, MN 55102
612/292-1577

Anoka County

Jerry Vitzthum
Anoka County Job Training Center
8008 Highway 65 N.E.
Spring Lake Park, MN 55432
612/784-1800

Dakota County

Percy Zachary
Dakota County Job Training Programs
33 E. Wentworth Ave., Suite 149
West St. Paul, MN 55118
612/457-0603

Ramsey County

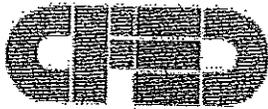
Connie Peikert
Ramsey County Job Training Programs
Frost Avenue and Manton Street
Maplewood, MN 55109
612/770-8900

Washington County

Bob Crawford
Washington County Job Training Center
2000 Industrial Boulevard
Stillwater, MN 55082
612/439-3220

Prepared by the State Job Training
Office—MEED Program
690 American Center Building
150 E. Kellogg Blvd.
St. Paul, MN 55101
612/297-2437 or 1-800-652-9747





Corporation
For Enterprise
Development

VOLUME 3, NUMBER 9 September 2001

Minnesota Emergency Employment Development Program (MEED)
by William Schweke

Distinctive Purpose: In July 1983, the state of Minnesota began a unique two-year program to reduce unemployment through six-month wage subsidies for targeted new employees in both the public and private sectors. As compared to other wage subsidy programs, MEED was distinguished by the level of subsidy, its requirements for job retention, a focus on job creation and economic development, and its targeting of small business.

Descriptive Summary: Under the Minnesota Emergency Employment Development Program (MEED), the state subsidized qualified employers up to \$4.00 an hour for wages (\$6.35 per hour in 1998 dollars) and up to \$1.00 per hour (\$1.64 in 1998 dollars) for benefits for each qualified individual employed under the program. As an incentive for long-term job placements, if an employee continued on the job for at least one year after the initial six-month subsidy, employers paid no reimbursement to the state. However, for employees that hired for less than 18 months, employers were required to repay up to 70 percent of the subsidy. A business could avoid paying the subsidy back through a process called "backfilling," where a new MEED worker was hired to replace the other. Priority was given to employable resident job seekers ineligible for unemployment insurance and without other means of support. Targeted private sector employers included small businesses using state resources; and above all, businesses which operated primarily in Minnesota. Temporary public sector and non-profit jobs were potentially subsidized under the program if the purpose was to achieve needed social goals such as weatherization of residential and public buildings, reforestation and expansion of social services. A small portion of program funds was available for childcare services and job search skill training. Funding was geographically allocated primarily according to the degree of unemployment, with some bonus funding to successful regional MEED offices. In conjunction with current tax credits available for employers under the Federal Targeted Jobs Tax Credit program, MEED offered additional financial incentives to create new and long-term jobs for the chronically unemployed. AFDC benefits were diverted as wage subsidies in order to further target the benefits of the program to the most disadvantaged.

History and Impact: The program was originally funded to serve a total of 12,500 persons, with 40 percent to be in the private sector. Passed in 1983 in response to the state's worst depression since the 1930s, the Minnesota Emergency Employment Development Act began as a two-year, \$70 million program to create temporary jobs in government and nonprofit agencies, and permanent jobs in the private sector. The program was made permanent by the 1985 legislature under the new name (dropping "emergency" and adding "economic") with a \$27 million appropriation for the July 1985 to July 1987 biennium.

Since its inception, MEED enrolled 45,600 people, with more than 64 percent filling private-sector jobs. More than 21,000 participants found permanent unsubsidized employment, earning an average of \$5.12 an hour. The sixty-day, post-program retention rate for those in private-sector subsidized jobs was 86 percent. Thirty-eight percent of those enrolled were eligible for general assistance, 26 percent were from households with no other source of income, 42 percent were women, and 24 percent were minorities (in a state with a total minority population of about 4 percent). The program was terminated after the economy improved.

Assessment: Although the long-term results of the MEED project were never studied, its innovative program design offered the program greater chances of success than many other such job creation efforts. First, new job creation was encouraged. Targeted private sector employers were in potentially high

employment growth industries and new, small entrepreneurial businesses, which have generally demonstrated great employment growth in recent years. MEED did not promote a zero-sum game of placements taking the jobs of others. Under program guidelines, subsidized workers could not replace current workers. In addition, eligible firms could not be in a layoff status or abrogate fair employment labor practices. During an economic upswing, firms could not hire MEED placements in lieu of any recently laid-off workers. To further prevent such replacements, labor unions, in cooperation with MEED, monitored the program to guard against such possibilities. As a result of the job creation emphasis in the program, MEED was thus not solely a counter-cyclical economic instrument, but rather a device to facilitate industrial transition and growth. It was designed to assist those who are less likely to be rehired during any future economic recovery.

Secondly, the program was designed for maximum flexibility, with minimal rules and local administration. Employer requirements were minimal with no additional reporting forms or paperwork other than standard records. In addition, while MEED employees were required to receive wages comparable to fellow workers performing the same tasks, employers determine the wages. Regional administrators who identify qualified prospective employees and employers, matching local successful high growth firms with suitable job seekers, operated the program. Such individualized administration offered clients a greater probability of long-term employment.

Thirdly, MEED complemented and enhanced other federal and state jobs programs. The federal Targeted Jobs Tax Credit (TJTC), for instance, gives employers tax advantages for hiring unemployed persons. Because MEED program employers qualified for such federal tax credits, the TJTC was effectively targeted to those truly in need. The combination of MEED subsidies and TJTC tax reduction substantially increased the short-term marginal propensity of employers to hire additional employees. In addition, MEED coordinated its activities with the recent state-administered Jobs Training Partnership Act (JTPA) program, with funds for job training in cooperation with private sector employers. Public sector MEED-placed temporary employees were placed in JTPA training programs in order for them to ultimately obtain private sector employment. Effective coordination of MEED with both JTPA and TJTC may have resulted in greater job placements for the chronically unemployed. Furthermore, MEED concerned itself with the quality of jobs provided, targeting fully one-fifth of the subsidies to benefits as well as bolstering crucial non-profit and public services such as child care.

Minnesota's small businesses queued up to hire MEED's eligible workers. Part of this enthusiasm was attributed to Minnesota's history of excellent public/private relations, part to the size of the subsidy, and part to the lack of bureaucratic strings attached to the subsidy. Seventy-nine percent of the businesses responding to a 1984 survey stated that they expanded their production because of MEED's assistance; 52.5 percent invested in new equipment and machinery. Eighty-three percent of the firms using MEED employ less than twenty workers, and 95 percent employ less than one hundred.

In addition to private jobs, MEED also provided temporary public employment in such areas as weatherization of residential and commercial buildings, re-forestation, soil conservation, and the expansion of community services. MEED anticipated that 60 percent of its placements would be in government and nonprofit agencies, but, due to high demand from private firms, the permanent program raised the goal for the private share of placements to 75 percent.

MEED was "expensive" but appeared to produce long-run savings for the state. A report done by the Minnesota Department of Energy and Economic Development during MEED's second year projected that by the end of the three-year program the initial \$100 million cost would be partially offset by a \$19.2 million reduction in general assistance payments and a \$24.7 million increase in state tax revenues. The report projected that MEED would create over 12,000 permanent private jobs; it created over 18,000. The net cost per permanent job therefore was approximately \$3,100. MEED's July 1987 appropriation was cut to \$18 million and the program was later terminated as the economy rebounded.

The program was run on a large scale. At its height, during its second year, MEED placed more than 7,000 workers at private firms over a ten-month period. According to researcher Timothy Bartik: "This is

equivalent to running a national program at a level of 552,000 subsidized hires in 1998. In surveys of participating employers, more than 90 percent reported that the program had a minimum of red tape and its rules were easy to understand. More than 80 percent of participating employers were satisfied with the performance of their MBED workers."

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