

Pay for Success: Notice of Funding Opportunity Overview July 8, 2014

[Michael Smith] Thank you so much, Nicky, and the Northwest team, and thank you to everyone who is on the line with us today. We are very much excited about this Pay for Success grant competition and excited about the possibility of expanding the Social Innovation Fund family and maybe working with many of you.

So as you can see on your screen right now, the purpose of today's webinar is to provide an overview of this current Pay for Success competition, which is our first competition thanks to new authority given to us by the Congress as a part of the 2014 appropriations. We want to make sure that we are highlighting the key aspects of the Notice of Funding Availability including our priorities, our focus areas, and more than anything else we want to make sure that we're helping you determine if this is the right opportunity for your organization and also make sure that we answer any questions that you might have.

So on this webinar we are going to be summarizing all of the requirements. But there is a 35-page or more Notice of Funding Availability that we hope that you will read through in detail.

I think what we're going to do right now before I go any further is we're going to hear from Dave Wilkinson, who is a Senior Policy Advisor at the White House Office on Social Innovation. Dave was also a Social Innovation Fund grantee when he was CEO of CitiFirst and has been a constant thought partner on the Social Innovation Fund's Pay for Success Program, and Dave just wanted to share a few words with everyone that's on. Dave?

[Dave Wilkinson] (Inaudible) I really appreciate it.

[Michael Smith] Hey, Dave, before you start talking if we can – we're going to have to (inaudible) for a second so Dave can talk. So if you're on the phone, if you could mute your line, that would be (inaudible) background noise.

Yeah, so someone we're hearing your conversation, we might hear your personal business, so if you could mute your lines, that would be great. Dave, turning it over to you.

[Dave Wilkinson] Great. Thank you, Michael. I'll just quickly say that Pay for Success is a Presidential priority. We've been thrilled to work with the Corporations for National Service. And given the other noise on the background, I will just hand it back over to you and say that we are very excited about advancing this Presidential priority and that SIF is taking the lead on it.

[Michael Smith] Thanks, Dave. Really appreciate you being here today, and we'll go ahead and we'll continue with the webinar at this point.

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So many of you might be asking yourself, and we're going to go ahead and mute all lines again, by the way, and then we'll unmute you individually if you have questions later. And get your questions ready, we're going to go through the presentation and then get back to your questions shortly.

So some of you may be wondering what is the Corporation for National and Community Service. It's an independent federal agency that has a board of directors and a chief executive officer that are appointed by the President and confirmed by the Senate. It was started by President Clinton almost 20 years ago, and it's the agency that oversees the President's call to service, and you might be more familiar with its programs such as AmeriCorps and Senior Corps, and the Social Innovation Fund, when it was created five years ago, now is one of the core programs of the Corporation for National Community Service and sits here as well.

So about the Social Innovation Fund: If you've never heard of the Social Innovation Fund before and you had an opportunity to hear the President talk about it, it was really created for two reasons. One you can see from the President's quote here was this idea that there are solutions to America's challenges that are being developed all over the country that for whatever reason don't get the spotlight of some of the national funding streams, don't get the attention, the capital that they need, and so could we make sure that the federal government could shine a giant spotlight on those solutions that are being developed at grass roots and support those efforts instead of supplanting them.

The other reason, and maybe the most important reason, that the Social Innovation Fund was started was just based on this idea that it's high time that we have to make sure that we're no longer investing in the obsolete or the ineffective. But that we are investing in programs that actually have evidence of impact. And for those of you who know this sector, you may know that one in eight nonprofits spend zero dollars on research and evaluation. More than 50% don't even have a theory of change or a logic model. And so as budgets get tighter, as our solutions grow and the scale and the scope of the challenges get harder and get broader, we have to make sure that we're investing in what works. And that's what is at the core and the heart of the Social Innovation Fund. And so we're a White House initiative started by the President. We sit here at the Corporation for National and Community Service. And at the end of the day we are trying to use innovation, evidence and scale to improve the lives of low income folks throughout the United States of America.

So our approach has these six common characteristics that are kind of core to what we do. The three larger circles are at the middle of what we fund. So one, we fund innovation. We are looking to fund innovative programs instead of investing in the same things that are no longer working. We want to disrupt the status quo and making sure that we're investing in programs that lead to better results for the public good. We also invest in evidence, so programs that the Social Innovation Fund works has to have evidence of impact, has to be based on best practices and lessons learned. And for our standard Social Innovation Fund program, we provide the

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dollars that are needed to evaluate the programs to prove and improve the model. And for the Pay for Success competition, as you'll hear shortly, we're looking at programs that are based on best practices, but we're also hoping at the end of the day these Pay for Success deals lead to investment in evidence-based organizations that have a track record of success and we know that they're not just counting how many people are served or not making decisions because it's the way that things have always been done, or isolated stories of success, but based on evidence of impact.

And the last thing that we do is about scale. We realize that the challenges that our communities maybe facing are urgent and we need to support them right now. And we need to grow the impact of evidence-based programs to other neighborhoods, to other states, and making sure that folks that need the benefit from these evidence-based solutions are getting programs that are scaled, that are being replicated across the country.

And then the three smaller bubbles that you see on this infographic here represent how we do our work. So we, down at the bottom you see grantmaker. So that really just means that in our programs we work through intermediaries, so we, instead of creating this big bureaucracy here in Washington, D.C., we work through organizations like grantmakers and now others with the Pay for Success competition that know the communities, that can really help us extend our reach, that can provide training, technical assistance, and help us usher in success.

We also believe in matching. We want to make sure that the Social Innovation Fund is not just throwing dollars into a community, that when we leave the community is no longer invested. And so we look at match dollars as a way of making sure that the community is going to continue to support these efforts long after the Social Innovation Fund is gone.

And then lastly we believe in knowledge sharing. We are really trying to change the way the social sector thinks about its work, and so this idea of innovation, evidence and scale and investing in what works, we are going to shout it from the rooftops. And we are going to share every single thing that we learn, good and bad, every single study that we do as part of the SIF program. Documents that are created, we're going to make sure that we share that knowledge so that we're strengthening the sector.

Since the Social Innovation Fund was started in 2009, we've funded 20 intermediary grantmakers and together we've invested in almost 220 nonprofit organizations that are innovative and evidence-based across the country. And now we're reaching out to more than 300,000 individuals, and so we're so excited that this Pay for Success competition is going to take our work into another direction and allow us to reach more folks in new and exciting ways.

So when we think about why the Social Innovation Fund was created, when we think about a model and why we invest in innovation, why we invest in evidence, why we invest in scale, why we don't want to keep doing the same things over and over again, it's really because of the

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words that you see on your screen here from Dr. King. There is a fierce urgency of now. Tomorrow is definitely today. When we look at the challenges that our communities are facing across this country, the challenges that our young people and vulnerable populations are dealing with, we've got to realize that there is such a thing as being too late. So Einstein once said the definition of insanity is doing the same thing over and over again and expecting different results. We're saying the buck's going to stop right here, and we're going to disrupt the status quo, we're going to believe in a fierce urgency of now, and we're looking for partners that are going to go on that journey with us.

So let's talk a little bit about Pay for Success and the Pay for Success competition. So why does this whole Pay for Success financing situation matter? I'm probably preaching to the choir for those of you that are on this call. But first, in a time of tight budgets and growing need, you know, when government at all levels are facing cutbacks, Pay for Success financing offers a solution that is working for preventative services, which are leading to reduce costs and better outcomes in the long term. So not only is it about financing, but it's about financing those solutions that are saving governments money and that are changing lives over the long term.

It's also about leveraging private sector investors to scale effective interventions. So not only are we going to have to do programs in new and exciting ways, we're also going to have to find new financing. Since the great recession, we're just starting to see some upticks in foundation budgets and corporation foundation budgets, but for the most part we're flat or reduced. And so if we're going to fund the solutions that are working, we're going to have to bring some new players to the table. And Pay for Success brings a whole new cadre of funders to the table.

It's also about achieving better outcomes for federal, state and local governments in a wide variety of different program areas. That's really rooted in preventative services, and it's data driven. So it's not just guessing, but it's about finding financing solutions where the data is showing how it's working.

And then lastly it's about minimizing risk to government and maximizing the return on taxpayer dollars. So in Pay for Success financing, the government only pays when there are demonstrated results. And so we are excited about what we can bring to bear with this Pay for Success competition.

So for those of you who may be new to the Pay for Success space, what is it? What is it all about? So as I just mentioned, it's really government only pays when there is demonstrated success. And so for those of you who have ever gone through any sort of contracting process, it's just what you would do with your contractor if you were getting your kitchen remodeled. You don't pay your contractor up front. Maybe you give him or her some supply money up front, but you wait to see that the cabinets were installed, that the tile was laid down correctly and isn't falling off, before you write your check. And so Pay for Success is waiting until the

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cabinets are installed. Waiting until the tile is done. Waiting to see that the job was done right before you pay in the social context. And so that's what it is at its simplest.

So Pay for Success financing means that you have to make sure that you're financing that in between. So in the social sector when you look at Pay for Success, you might have a nonprofit organization that says we can reduce gun violence. We have an evidence-based model that says we can reduce gun violence. And so city, or state, or local government, we believe that we can reduce it by 30%. So if we reduce it, you can then pay us when it's reduced. But these nonprofits don't have the dollars in the meantime to actually implement the solution. So you need financing to come in. You need a private sector group to come in and say, all right, we will pay for the costs to implement this incredible solution over the next couple years. And government will pay for that, and if we're successful, then you can pay us back. And if we're incredibly successful in some cases, maybe you can even pay us a little bit more. And so that's what Pay for Success financing is all about, which sometimes people refer to as social impact bonds. So we say Pay for Success financing, but you also might hear the term social impact bond sometimes.

Whose involved in this space? You can kind of see this a little bit on the slide. So you have a government agency who designs what their desired outcome might be. So government. The city of Springfield, Massachusetts, let's say, decides we want to reduce gun violence. And then you have an intermediary entity who comes in and enters into a contract with that government and works with the stakeholder to go through a feasibility study, to put this contract together, to figure out what sort of data is going to be needed, how you measure success, when the payment will be made, how the financing is going to work.

And then you have your nonprofit service provider, this amazing, extraordinary, innovative, evidence-based organization that says we know, we have the proof that we can reduce gun violence. And so you have your nonprofit service provider that's in there. And then you also have a third party evaluator. So you need someone who's going to be third party that is going to let you know when you will see success and that can also say yes, success has been met.

So that gives you a little bit of an idea of how the Pay for Success financing process works. And if you want to learn more, we certainly have more resources that are on our website. But before we get into what we're focusing on for the Pay for Success competition, I just wanted to provide you with a little bit of an update in case you weren't as familiar.

So what are we trying to do with the Social Innovation Fund Pay for Success competition? We've decided at this phase we are not going to invest in the actual deals. There's a lot of interesting things. There are probably a couple dozen deals that are being put together across the country. And so we decided what needed to happen is we're going to work more on the priming the pump side of things. This will be a true pilot that will hopefully strengthen and

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diversify the field. So the first thing that we're going to do is we're going to assess the potential of Pay for Success to address a variety of social issues facing communities across the country.

The second thing we want to do is making sure that we're diversifying the pipeline, the governments and nonprofit organizations that are actually ready to participate in Pay for Success deals. It's a complicated space. And where it's working, you've had oftentimes outside experts that are coming in that know how to work across the government, with the private sector counterparts, with the evaluators. But we think we need more governments, we think we need more nonprofits, if we're really going to test this, and so we want to diversify and strengthen that pipeline.

And we also want to, you know, probably most importantly, attract capital to these high performing organizations that are seeking to grow solutions for low income communities.

So that is what we are focusing on.

So what does that mean specifically? We are looking for organizations to apply that want to do one of two things, that kind of in the critical process of developing Pay for Success deals. The first thing that we're looking for organizations to apply for is to conduct open competition for city and state governments that want to get feasibility technical assistance. So they want to go through feasibility studies to assess whether or not they have the potential to do Pay for Success deals. They want to support them in their government procurement process. They actually want to build the Pay for Success infrastructure in that city to make sure that they are ready to do Pay for Success deals. And that they've strengthened their capacity. So for folks that are looking to provide feasibility technical assistance for those organizations that support the cities and state government, at the end of the day we would be looking for three deliverables. One, a completed feasibility study for that state or city or local government. And at the end of that, we want to see that state or local government issuing the request for proposals for folks that can actually structure those deals and actually put a deal together in that city.

And then we want to see final reports. You know, maybe at the end of the feasibility study, we have decided in X city it's not going to work. It's not there. But we want to see what are the other options. What are the innovative social financing mechanisms that could also work in that city.

So that's one side of things. Organizations who want to provide feasibility technical assistance for city and local governments.

The other side of things you could apply for is to help structure the actual transaction, to put the deal together. We're looking for organizations who would apply to actually take applications from cities and states who have gone through the feasibility studies, are now ready to put those deals together, and those folks will say, we need a transaction coordinator. We need a person that is going to do, figure out the financing model, that is going to maybe help raise the funds,

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that's going to design the work plan and make sure that we get it through to action, that's going to address the nonprofit service providers' performance concerns, and so on. There's a lot more detail about what that role would look like.

So in that case, the organization would then assign a transaction coordinator. They would find a transaction coordinator who would work with that city or state government, who would make sure that they close the deal. And that organization would work with them to provide back office support, other technical assistance to make sure that those deals get closed.

And at the end of that project we would see deliverables that would be the selection of transaction coordinators and actually flows to Pay for Success deals. So it's important to note in this competition you have to decide which one you want to do. You're either going to be an applicant that's going to provide feasibility technical assistance, or you're going to be an applicant that's going to structure Pay for Success transactions. You can't do both.

And remember, just in case folks are joining, we're going to go through the rest of the slides and provide an overview of the competition, but we'll take your questions shortly.

So now let's talk about the funding that we're providing. So you probably saw that there's \$11.2 million overall, so if you're applying to provide feasibility technical assistance, you can apply for annual grants between \$200,000.00 and \$1.2 million a year. And these grants are three-year grants. So \$200,000.00 to \$1.2 million per year. And then you have to make sure that services are delivered for each of your sub-recipients between \$50,000.00 and \$250,000.00. And my colleague Anna Fogel, who's actually running our Pay for Success program here, will go into a little bit more detail about that. And there is also a one-to-one match that's required, and both could be cash or in-kind, which Anna will go into a little bit more detail. And then your eligible sub-recipients can be nonprofits or city, state and local governments.

So if you're applying to do the structuring of Pay for Success transactions, you can apply for a little bit more money because we think that we'll have organizations that are doing more of these deals across the country. And so those grants would be between \$350,000.00 and \$1.8 million per year. You have to then deliver services to that state or local government between \$75,000.00 and \$250,000.00. There's a match requirement on that side, and it's also eligible nonprofit, organizations or nonprofits, city and state governments.

So let me maybe paint a little bit of a picture of what this looks like in practice. So say on the structuring of Pay for Success transaction, you have an organization that applies. Say it is the State of California because the State could apply. The State of California applies, and it actually knows that there are going to be several cities across the state that are going to complete feasibility studies over the next year. So the State of California actually wants to make sure that they have the dollars that they need, and the expertise that they need, to structure these deals and get these deals closed. So the State of California would get somewhere between \$350,000.00

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to \$1.8 million a year from us for up to three years. They would match that. They would then select applications from cities or states that have gone through the feasibility process somehow who say they need transaction coordinators. And they would then place the transaction coordinator in that city. And they would make sure that they are delivering services, some combination of expert consultant, that is that transaction coordinator, and maybe even capacity building grants. Maybe they need some money to get a data system built. Maybe they need legal support. So some combination between expertise and capacity building grants, and making sure that's between \$75,000.00 and \$250,000.00 going to that city or state.

On the feasibility technical assistance side, maybe you have a nonprofit organization that's applying. Maybe you have a foundation that's applying. And they would then host some sort of open competition. Maybe it's in a state, or maybe it's national. Or maybe it's national and focused on Opportunity Youth because they want to see how Pay for Success could be used to really advance the causes of Opportunity Youth. So they would get somewhere between \$200,000.00 and \$1.2 million a year from us. They would match it. They'd run an open competition. And they then would select the nonprofit, city and state governments across the country who they would then deliver services to. Some combination of feasibility technical assistance to get through those feasibility studies, or also in that case, capacity-building grants as well.

So that paints a little bit of a picture of what we think it could look like, but I imagine that you have some variations of what that could look like. I think what's important to know here is that we are talking about Pay for Success financing. So Pay for Success could look very broad. There could be lots of different ways that you Pay for Success. But we are looking to study this whole Pay for Success financing or social impact bond space.

So what are our funding priorities? So first the Social Innovation Fund is concerned with the three issue areas of youth development, economic opportunity, and healthy futures. And we know that those are deliberately broad because we want to see what this looks like in terms of efforts that are helping low income communities in a variety of different issue areas.

There are optional funding priorities for the Pay for Success competition, which we like to call balancing characteristics. So we are looking to diversify this field. There's a lot that's happening right now in the space of recidivism. There are lots of geographic areas that seem to be getting served over and over again. So we are going to prioritize applications from organizations that are saying we want to look at social issues that aren't being tried, or aren't being tried in a big way when it comes to Pay for Success. Or we want to look at geographic areas that aren't currently being served with Pay for Success models right now. And so we will prioritize those applications. Now we call those balancing characteristics because that means if there are two really strong applications, and one is applying to do something in an area or a social issue that's already being funded, and one is applying that has a more diverse focus, and they're both equally strong, we would go for the diverse applicant. Now, if we don't get the diverse

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applicant, and you've got a strong one in the space that's already being served, we would look to fund that as well.

And then the other priorities that I want to mention to you is we're looking at these traditionally underserved and underrepresented areas and populations such as Opportunity Youth. And we know that in communities across the country there are populations, maybe there are certain refugee communities that are traditionally underserved that you could tell us about. But we want to make sure that the most vulnerable populations, especially historically, are being served by this Pay for Success competition.

So the basic kind of general overview of the funding and key dates, we've got almost \$11.2 million for this competition. And that is separate from the general Social Innovation Fund competition which folks have probably already heard about, which we'll also announce winners of soon, but this is a separate \$11.2 million. Annual grants are somewhere between \$200,000.00 a year to \$1.8 million for up to three years. And so when you apply, you would tell us what your budget is in that range for each of those three years.

Notice of Intent are due on July 15th. That's not required but it's encouraged so we can get a sense of who's going to be applying and what the pool is going to look like. And then applications are due by July 31st. So this is a competition that's open for five weeks. Congress gave us the authority to do this, but we have to get the dollars obligated by the end of the year and that's why the process is closing so quickly. So we hope that you've already had a chance to read through the NOFA and maybe you haven't even started. And what that means is we will make grant awards by September 30th of this year.

So I'm now actually going to turn it over to Anna Fogel, my colleague that is running the Pay for Success competition here, who is just going to tell you a little bit more about our key program requirements, and then we will get to your questions. So start writing them in that Chat box or writing them on paper and we'll come to you shortly. Anna?

[Anna Fogel] Great. So I'm going to cover three of the main program requirements that we've received a number of question on so far. And I'm going to, as Michael said, run through these pretty quickly so that we have plenty of time for questions in the last half hour.

So the first program requirement I'll touch on is the match requirement. As Michael mentioned, every grantee is required to match their award on a dollar-for-dollar basis. So if a grantee is awarded a million dollars, it will result in \$2 million in services and sub-grants provided with their additional one-for-one match. This match can be made either with non-federal cash or with in-kind contributions. And so at least 50% of that should be in cash and 50%, and up to 50%, can be in contributions or services which can include sort of critical pieces that the grantee would otherwise have to pay for such as pro bono legal services, software to analyze data, things like that.

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And the last requirement of the match is that at the time of application, so by July 31st, applicants have to demonstrate the ability to meet ten percent of their first year cash match requirement. So for example, again, if there's a grant applied for \$1 million a year, this would require a commitment by July 31st of the ability to match at least \$100,000.00.

In terms of the second program requirement, the working with sub-recipients, as Michael pointed out, we really work through an intermediary model. And as he also explained there are two approaches that you can apply for at this competition. With both of them, either applying to provide technical assistance in feasibility analyses or to apply to structure Pay for Success transactions, sub-recipients or sub-grantees have to be selected on some kind of an open or competitive basis. This means that you cannot preselect sub-recipients or sub-grantees in the application stage but instead will have to hold some kind of process which is open and transparent in order to select sub-recipients or sub-grantees.

And so just to talk a little bit more about what that looks like, as it says in the Notice, 80% of the grant that's received must be spent on either services to sub-recipients or subgrants. And so, as it says here, there's two different ways of meeting this requirement to spend 80% of the grant. It can either be spent on valued services to sub-recipients. That can be things like technical assistance, conducting feasibility studies, or it can be provided as cash subgrants to subgrantees.

The remaining 20% of the grant can be spent on administrative or other project costs, including evaluation costs. And as Michael said, there's a window of value of the grants or services that can be provided to sub-recipients or sub-grantees. So for technical assistance, sub-recipients they must receive services that are valued between \$50,000.00 to \$250,000.00. And then under the deal structuring approach, sub-recipients or subgrantees must receive services valued between \$75,000.00 and \$250,000.00.

And just the last program requirement we wanted to touch on is on evidence and knowledge sharing. So as outlined here, we think of this for three main areas of evidence and knowledge sharing. The first part is that the Social Innovation Fund and the Corporation for National Community Service will be responsible for leading a national evaluation of the Pay for Success program. So we'll work to contract a third party evaluator who will be responsible for working with all of the grantees and sub-grantees to conduct a national evaluation. But we also, as Michael shared earlier, really prioritize knowledge sharing and think part of what's so valuable about this competition is the ability to create tools and information that can be shared and support the entire Pay for Success community. And so there'll be a number of different kinds of knowledge sharing efforts including the existing Social Innovation Fund knowledge initiative and knowledge network.

And the third component of this knowledge sharing is the training and technical assistance that will be ongoing throughout the duration of the project period.

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One last part we just wanted to review is that there will be a comprehensive review process. Every application will be read by at least three readers, and this will go through an external expert review as well as quality control and internal staff review. As Michael mentioned, the final decision and notification will go out before September 30th. And we can provide more information on the review process if needed.

So I'm just going to turn it back over to Michael to conclude and then we'll open up the floor and take questions.

[Michael Smith] So get your questions ready. We're going to go to them in about 30 seconds.

I just wanted to pause on this slide. We talked to many of our current grantees and asked what they would say in terms of why others should apply for Social Innovation Fund funding. And, you know, it's really interesting. One, it's an opportunity to double your dollars and maybe even a little bit more since the match requirement now includes in-kind. It's a chance to be a part of something bigger in terms of this movement towards more innovation, more outcome-focused funding.

There's an incredible network so when you get funding from the Social Innovation Fund, it is not just a grant where we write you a check and then wait three years to get a report. You become a part of a family. We have convenings. We have monthly calls and webinars and speakers and folks call each other up and learn and share together. Because this is a Presidential initiative and we care about really trying to change the conversation on how funding is done in this space, we shout from the rafters what's working, and we try to amplify work so you get an opportunity to be a part of that.

There's a Good Housekeeping Seal of Approval that goes to the due diligence that comes with the due diligence that's going to the Social Innovation Fund funding. You have program officers who are not there that are just checking a box but are really partners in your success and will lock arms with you to make sure that you're getting everything you need to be successful.

There's some air cover and unanimity when you're trying things that are new. There's entrée to new local, state and federal partnerships in funding. Folks are finding that they are able to attract more. And it's a chance, hopefully, for your program to become a national model because we're shouting it from the rooftops if it goes well.

So that just gives you a little bit of an idea of what we think it means to be a Social Innovation Fund grantee. There are lots of resources that are on our website, nationalservice.gov/sif. The full NOFA, which we hope that you'll read. Fact sheets, communications toolkits if you want to help us spread the word, and additional webinars. We actually have a tweet chat coming up this Thursday if you want to tell folks about that.

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So it is now time for your questions. We will be reading them from the Chat window. And if you have questions that you want to say verbally and not type them, you just click the little hand raised button and we'll unmute your line. Is that right, Nicky?

[Nicky] That is correct. If folks' login is associated with their phone line, we can unmute them. For folks who aren't, we'll let you know if you raise your hand via the Chat, and you can submit your question that way.

[Michael Smith] All right. So let's go ahead and start with questions, and I'll go ahead and I'll put up our email address and phone number just in case we do not have an opportunity to get to your question or you just have something more detailed.

So, Anna, you want to start us off?

[Anna Fogel] Great. So just to start off I wanted to mention to everyone that the webinar and the recording and the PowerPoint will all be available on our website that's now up on the screen. I know a number of you asked about that, so I just wanted to slide that for everyone.

So I'm just going to, as Michael said, go through the Chat box starting with the first question not related to the webinar recording, which is from William Brown who asks, "The Notice identifies two programmatic approaches. Can an organization apply for funding to support one or even both areas?"

[Michael Smith] So just to confirm, you have to choose one. There are certain conflict issues that come with doing both that we're trying to avoid, so for this point you have to be one or the other. That would not preclude you if you applied to do feasibility technical assistance for applying later to one of our grantees, for instance, that needs deal structuring. But from us you have to apply for one or the other.

[Anna Fogel] The next question is from Jessica. She asks, "In terms of the deliverables for the grantees structuring Pay for Success transactions, so the closed transaction means signed contract in place?"

Yes. That is – I mean, we're open to suggestions in the proposal, but that is what we were envisioning, signed contracts with all of the parties involved.

Janice asks, "If all selected grantees were at the max level, you could only select 11. This feels like it might close out smaller efforts."

[Michael Smith] So, you know, that's a really good question, Janice. Thank you. We spent a lot of time – and I mean a lot – trying to think about what was the right funding mix. And so we provided, we came up with a range of funding that one, would make sure that we are – this is a pilot program. We're trying to actually test this space so we want a large enough experiment so

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that we can really get a good sense. Also trying to straighten the personalized pipelines. But we went all the way down to \$200,000.00 so that we could provide an opportunity for the smaller, more nimble, more flexible organizations to come to the table. And that's very much a goal of what we want to see. We want to see lots of different things happening.

We also looked at what's happening in this space and what it usually costs in order to go through feasibility or structuring is somewhere around \$250,000.00 per engagement, so we think that's right on and it wouldn't be that much smaller. That said, we allowed you to go down to \$50,000.00 in terms of what the value would be for a sub-recipient. So it gives some chance to bring in a small organization. And so we are looking for that diversity.

[Anna Fogel] The next question is from Oriann (sp), who asks, "Our organization is interested in serving as a sub-recipient and is interested in learning about what agencies (intermediaries) in our area are developing applications. Is there a clearinghouse that helps us know who is applying?"

[Michael Smith] So there is not a clearinghouse of who is applying. We will, after the process is over, release the list of applicants, and we will certainly release the list of who's awarded. And when they run their competitions, their open competitions, we will make sure that all of those are listed on our website and that we help spread the word about those.

[Anna Fogel] The next question is from Nuron Jon (sp) who asks, for technical assistance grants, if a private entity already has a state or local government with which they want to partner, is that permitted? And how does that fit with the competitive process for (inaudible)?"

[Michael Smith] I'm sorry, Anna. Can you say that one more time, the beginning?

[Anna Fogel] For technical assistance grants, if a private entity or organization already has a state or local government with which they want to partner, is that permitted and how does that fit with the competitive process for (inaudible).

[Michael Smith] So that's a really interesting question, and I'm glad that you all keep stumping me every time we have one of these webinars. It's the first time we're doing it, so new questions come up all the time. So one, the Social Innovation Fund is committed to open competition. It's very important that it's open, it's transparent. There's an opportunity for many people to apply and we're not just funding the same things over and over again.

So you do have to run an open competition. You cannot come in with pre-selected grantees. So, if you have a city or state that you're interested in, there are one or two things that you can do. You can work with that city or state to develop a technical assistance process that's just about that city or state. So you're working with the State of California to do technical assistance for cities throughout the State of California. Or you're working with Los Angeles to do technical

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assistance for the various neighborhoods of Los Angeles. So that's one way that you could lock arms and partner from the beginning.

The other way is there's nothing that would preclude that city or state from applying to your competition, but you do have to start with the open competition.

[Anna Fogel] The next question is from Ann. She asks, "Does the match need to be one-to-one each year or just over the life of the grant?"

[Michael Smith] So one-to-one is one-to-one is one-to-one, so maybe you don't completely understand that. So I'll tell you what our requirement is. So you have to match what we give you one-to-one, dollar-to-dollar. So if you apply for \$200,000.00 a year, that means we're expecting a match of \$600,000.00 in cash and in-kind. So at least 50% of that would have to be cash matches, \$300,000.00. And then you could come in with another \$300,000.00 in in-kind, such as pro bono legal service, etc.

For the first year when you are applying, you have to come to the table with ten percent on hand for the first year. So if you're applying for \$200,000.00 a year, you have to – uh, \$20,000.00. Math, math, math. You have to have \$20,000.00 on hand in the bank that you can use from a funder that has said that they are going to give that to you. And that's only for the first year that you have to have that ten percent, but with a very strong plan for how you're going to raise the rest.

I see maybe we should go to some callers. I see we have some hand raised, Nicky.

[Nicky] Yes, we do. We'll start with Alex Caulker (sp) who's got his hand raised. Alex, you are unmuted so please go ahead.

[Alex] I actually have two questions if you don't mind. The first one is you keep talking about the government is the one that sets the priorities. Does it have to be a government body that is guaranteeing the project, is funding the actual social impact bonds themselves or can it be a group of nonprofits in a community?

[Michael Smith] So, again, this is a pilot, and so we are interested in you dazzling us and showing us new ways to do this. The way that we've seen this work is the government is almost always the payor. They are the ones that are saying we are trying to reduce crime or violence in this area, so we will pay you, the nonprofit service provider, to get this done. If you have a new and interesting way, some other coalition of potential funders that want to be the payor, we'd be happy to see those.

[Alex] And then just the second question really quick. The match funds. Can the match funds be actually used to invest in the actual projects or even the match funds must be used just for these support services that set up the transaction?

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[Michael Smith] The match funds have to be used for what you're applying to get done with the grant.

[Alex] Okay. Very good. Thank you very much.

[Michael Smith] Thank you, Alex.

Any other hands raised, Nicky?

[Nicky] Yes, we've got one more from Elizabeth. Elizabeth, your line is open, go ahead.

[Elizabeth] Hi. This is a really perfect opportunity for us, but I don't think we're eligible so I just want to clarify. We're a 501(c)3, 509(a)1, 170(d)1(a)6.

[Michael Smith] I don't have my tax attorney with me, so I'm not sure what designation of the 501(c)3 code is. But we can actually give you, if you email us, we can give you a specific answer. But if you want to describe your organization in a little bit more detail, then I can try now.

[Elizabeth] I see. Well, we're a nonprofit.

[Michael Smith] Yep.

[Elizabeth] We do literacy work with really anyone. We primarily deliver our services in public school settings, but we have done work with homeless populations in soup kitchens. We've done work for other entities, for Wayne State University, things like that. So I don't know if that helps.

[Michael Smith] So any nonprofit organization is eligible to apply. The one designation that I can think of that's not is (c)4s. So we're not looking for lobbying.

[Elizabeth] Is what?

[Michael Smith] 501(c)4s

[Elizabeth] Uh, what?

[Michael Smith] 502c4s, so we're not looking for lobbying, but nonprofits are eligible to apply so it's just a matter of do you have the expertise within your organization to manage the program described in the Notice of Funding Availability.

[Elizabeth] When you say expertise, what do you mean by that?

[Michael Smith] So if you read the Notice of Funding, we're looking for organizations that are going to either run open competitions to help cities, states and local governments in

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partnerships get through feasibility studies or to structure deals. So if you're going to be one of those organizations, you have to prove to us that you know what Pay for Success is, you know what social financing is, you know something about the Social Innovations field, you know how to manage grantees, you know how to provide technical assistance in a way that leads to action. So you have to be a high-performing organization that can prove to us you've got what it takes.

[Elizabeth] Okay. Thank you.

[Michael Smith] Thank you so much.

Anna, shall we go to some more questions from the Chat box?

[Anna Fogel] Sure. So the next one is from Ginger who asks, "What is the best way for not-for-profits that are eager to take part in a Pay for Success pilot to engage in this effort, understanding that service providers are downstream from this award?"

So Ginger, thanks for that question, and we've gotten a number of questions like this. What we're recommending is if you feel that you are, as you say, sort of not at the grantee level but perhaps would be interested in taking part in the sub-grantee or sub-recipient level, that we will announce all of the grantees in September on our website before September 30th. And that the best way would be to contact grantees, particularly the ones that have been awarded to provide technical assistance to get involved then at the sub-recipient level. And that perhaps you can participate either in submitting to the competition and open award process or to working with a city or state or the grantee.

The next question is from John, who asks, "If a community foundation already knows of a specific local agency that wants to pursue a preventative project and a community foundation is certain that they would do good work, would that be allowed?"

[Michael Smith] Not allowed. You cannot come with a pre-identified sub-recipient. That sub-recipient can compete, and if they're as strong as you think they are, maybe they'll win. But we want to make sure that this starts with an open competition. For a lot of different reasons the Social Innovation Fund finds that important. One, just to make sure that there's kind of fairness and equity. Two, to make sure that we're potentially bringing new players to the game that you might not have thought of otherwise. And three, there is something about competition that helps to spread the word about a concept and also helps us to bake it into all of your applicants. So maybe only one, two, three, five win, but ten, 20, 30 have filled out an application and thought about that and might go on and do it. And so that's why open competition is so important to the Social Innovation Fund.

[Anna Fogel] The next question is from Stephanie, who asks, "We serve the Native American communities as well and sometimes it is difficult to conduct a very thorough assessment of needs and gaps in services. If we can get basic information, is that okay?"

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[Michael Smith] It's going to have – I mean, we realize that different communities have different needs and have different levels of capacity. But in order to get to a feasibility study that hopefully leads to an RFP, we're going to ask you to do everything within your power to assess whether or not it's feasible, and so that might look differently from community to community, but you want to make sure at the end of the day you have a feasibility study that's going to show you how you're going to get it done.

[Anna Fogel] The next question is from Kim who asks, "Would the evaluator be considered a sub-recipient or a sub-grantee?"

[Michael Smith] In this case the evaluator would not be considered a sub-recipient or a sub-grantee because it takes place later in the process. So in deal structuring, the transaction coordinator might help identify an evaluator, but they're not the sub-recipient. The city or state or local government is. Could you provide a capacity building grant that helps to build evaluation capacity? Yes. But that would go through the grantee or the sub-recipient which still is not the evaluator. And if that wasn't clear, feel free to email us and we'll provide more.

Nicky, anyone else raising their hand?

[Nicky] Yes, we've got Doug McKinney raising his hand. Doug, your line is open.

[Doug] Hi. Thank you. So I'm sorry, I think I'm a little dense here on the sub-grantee versus sub-recipient portion of this. We've got a project that we're thinking about here that involves one of our member organizations who has developed a model for serving youth and young adults that we want to determine the replicability of. So we would provide a sub-grant to this member organization and then a competitive solicitation for other members to participate in a model of replicating this service. Can we have a pre-selected sub-grantee?

[Michael Smith] You can't. You have to start with an open competition.

[Doug] Right. So all grantees and all – okay, great. So all grantees and all recipients have to be competitive.

[Michael Smith] Yes.

[Doug] Okay. Good. Thank you. That's it.

[Michael Smith] Thank you. And, by the way – what was his name? Hey, Doug.

[Anna Fogel] Doug.

[Michael Smith] In the Notice of Funding we realize that we're introducing lots of new terms. There's a definitions section on page seven of the NOFA that defines what grantee, sub-grantee and sub-recipient mean. And for anyone else that's curious.

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[Doug] Yeah. Right. Okay. Thank you.

[Michael Smith] Thank you.

[Anna Fogel] The next question in the Chat box is from Trisha who asks, “We have completed a feasibility study and set up a regional early childhood initiative through our regional United Way. We are busy building private funding to sustain the initiative. Would our partnership qualify to apply?”

[Michael Smith] So I think this is a variation on the same question. So you have a feasibility study that’s in process. So one, in this case it sounds like you would be more like a sub-recipient and not the actual organization. So we’re looking for intermediary organizations that are going to run these open competitions that are going to place expert consultants on the ground with the cities and states, provide capacity building grants, either on the feasibility side of things or the structuring side of things. And so it sounds like you would be, in this case, the recipient. And the other side of that is the same question that you have to start with an open competition.

[Anna Fogel] The next question from Bertha is, “In the TA section of the grant, can the nonprofit providing TA be focused on a general readiness and implementation of an evidence-based practice or is it more of a technical assessment based on the details of setting up a Pay for Success program?”

[Michael Smith] I haven’t had lunch today. If you understand the question, Anna, why don’t you answer it?

[Anna Fogel] So I think the question is can the technical assistance be provided to help promote evidence-based practices to build an evidence base for a nonprofit service provider, or does it have to be focused on setting up a Pay for Success program including the nonprofit service provider.

[Michael Smith] So the ultimate goal here has to be getting to deliverables, which is a feasibility study or an RFP or a structured deal. If, as a part of getting to one of those deliverables, you’re helping to build the evaluation capacity, build the evidence base, then those are certainly things that you could fund. But that’s not the end goal. The end goal has to be getting us towards Pay for Success transactions.

[Anna Fogel] The next question is from Ann who asks a follow-up about the match requirements. She asks, “Are the matches over all three years not the exact same amount as the grant each year? For example, if we have more match in one year than in the other two.”

[Michael Smith] Yes, so the match is for whatever the overall amount is that you apply for from us. So if you apply for \$200,000.00 in year one, you apply for \$300,000.00 in year two, and you apply for \$400,000.00 in year one, I believe if I do my math correctly that’s four, seven,

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\$900,000.00, which means you have to come up with \$900,000.00 in match even though they are different amounts each year. And up to 50% of that can be in in-kind services.

[Anna Fogel] So we only have time for just a couple more questions, a few more minutes, so I'm going to keep working our way through the Chat, and anything we don't have time to finish on this call we will send a follow-up email with the question and answer to everyone who participated in the call.

The next one is from Kim who asks, "If you apply for the TA grant, are you the intermediary? If so, is it assumed that you would subcontract the associated activities such as feasibility studies, infrastructure building, and other things?"

[Michael Smith] So that's one way that you can do it. So if you apply to be the TA feasibility person, you might already have that staff capacity, so, you know, depending on what kind of organization you are, so you could just deploy your staff. Or maybe you have some of that so you might need to subcontract with others, and that's certainly an acceptable way of doing it.

[Anna Fogel] And the last question we're going to have time for is from Rachel, who asks a question we've gotten a lot, and the question is, "If an organization is involved in a partnership that is not the lead, and the partnership is applying for feasibility funding, then can the organization also participate in another partnership that is applying for feasibility funding? So can an organization apply, be on two separate applications, not as a lead but as a part of a partnership?"

[Michael Smith] I'm going to get back to you on that one. I think – we'll send it via email. I think the answer to that is yes. The only potential conflict there is if you're applying on one that's feasibility, on the other that is structuring, that might be crossing the line, and so we're going to get back to you with that answer. Let us think about that.

[Anna Fogel] And I know we have a number of other questions. As I said, we will send responses today to everyone who is on this call with the questions and with our answers.

[Michael Smith] So once again thank you for your time. Thank you, Anna. To the Ed Northwest team. We would stay longer but we have a very important decision meeting that we have to run to. We will get back to you. If you have any other questions, feel free to email us or call us. And we're appreciative for your interest, and we thank you for the incredible work that you're doing in communities across the country to really make sure that we're making a difference for low income communities.

[Michael Smith] Thanks and have a great day. Nicky, any closing comments?

[Nicky] No. That concludes our webinar for today. Thanks, everyone, and have a great day.