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Executive Summary

The Harvard Kennedy School (HKS) Social Impact Bond Technical Assistance Lab (SIB Lab) has been providing government-side technical assistance on designing and implementing Pay for Success (PFS) projects for the past three years. The SIB Lab helped launch two of the earliest PFS projects in the nation, in Massachusetts and New York State, and since then has been assisting eight states and two cities in developing 13 additional PFS projects. Based upon this work, we have come to believe that the next stage in the development of the PFS model demands innovative responses to three challenges: 1) how to adapt the PFS model to new policy areas, including those involving multiple providers, longer horizons to realize benefits, and savings dispersed across multiple levels of government; 2) how to streamline the PFS project development timeline and technical assistance process so that the model can spread more quickly; and 3) how to build more sustainable government capacity. We are applying for the CNCS Social Innovation Fund PFS grant to provide technical assistance and develop PFS capacity because we believe that the work we propose to do over the next three years will advance the PFS field by providing helpful answers to these questions. Our proposed work builds upon the model of technical assistance we have developed over the past three years but is oriented toward the next stage of development in the PFS field. Our plan includes four major components: 1) Two national competitions, in the fall of 2014 and the fall of 2015, to select a total of ten Government Partners who will receive full-time technical assistance from the SIB Lab over the course of 15 months to assist with a PFS project. We will select for those innovative or path-breaking projects that most advance the PFS model; 2) In each competition, one or two of the five partners will be a group of several governments rather than a single government, allowing us to test a cohort-based model of developing government capacity. These groups of governments will share a full-time fellow and will also participate in cross-jurisdictional collaboration and knowledge sharing; 3) The SIB Lab will continue to produce publications that capture and distill the key lessons learned from our experience providing technical assistance and building capacity so that awareness of the PFS model can spread and so that others in the field can benefit from the innovations we develop and the knowledge we create. We will also continue to participate in diverse public forums to share our learning and engage the PFS field. 4) As part of disseminating the insights we gain from our work and with the goal of maintaining high standards for PFS projects, the SIB Lab will develop an independent review process that makes our technical assistance expertise available on a short-term basis to governments that seek a brief independent review of a technical aspect of their project development, such as their evaluation designs or the benefit-cost analyses underlying their payment schedules.

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Program Design

a. Goals and Objectives

For the past three years, the HKS Social Impact Bond Technical Assistance Lab (SIB Lab) has been testing whether our model of technical assistance can enable state and local governments to successfully develop Pay for Success (PFS) projects, thereby improving the effectiveness of their social spending and accelerating progress in ameliorating difficult social problems. Through our work with eight state and two city governments, we have found that the PFS approach offers governments six benefits.

First, the structure of PFS projects reorients government action away from remediation and toward prevention. Second, PFS projects can be powerful tools for improving government decision-making, since only programs with sufficient evidence and strong implementation teams are able to attract investors and government collaborators. Third, PFS projects support quality growth in the nonprofit sector by directing government contracts toward promising nonprofits that otherwise struggle to gain access to capital. Fourth, PFS projects provide ongoing real-time insight into program effectiveness, a major improvement over current practice in which most programs are never evaluated and even those that are tend to be evaluated using a one-off snapshot approach. Fifth, PFS projects break down silos between agencies and levels of government, allowing one agency to make preventative investments that generate savings in another agency's budget. Sixth, and most importantly, PFS projects bind together government agencies, service providers, philanthropic donors, and other critical private sector actors in a sustained multi-year outcome-focused partnership to implement the systems changes necessary to make significant progress on hard social problems. Sustaining this kind of focused multi-year collaboration in the face of leadership turnovers, short-term crises, and annual appropriations cycles is nearly impossible with conventional government management and contracting tools.

We have also observed that, despite the promise of the PFS model, it is very difficult for governments to develop PFS projects without technical assistance. Putting together and implementing a project requires a dedicated full-time person staff person on the government side for approximately 12 to 18 months. Given the tight staffing pressures that governments face, most are hesitant to reallocate a position to this experimental contracting approach until they have experienced its benefits. In addition, there is specific knowledge about the PFS model that the government-side person needs to acquire. There is also complex technical work that needs to get done, such as conducting benefit-cost analyses to inform payment schedules, matching administrative data sets, developing a rigorous

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evaluation methodology, and writing performance contracts. Most government agencies need outside expertise on at least some of this work. Some governments are reluctant to explore PFS contracts because of concerns that they will be taken advantage of by the private sector actors who often have more capacity and experience. And inertia prevents some interested governments from making a decision to embark on a pay for success initiative.

The SIB Lab's model of technical assistance -- our theory of change -- is designed to remove each of these barriers. It has five components:

1) National Competitions to Select Partners. By holding national competitions to select partners we are able to review a large number of proposals and can select the ones that are the most innovative and most likely to advance the PFS field. Moreover, the competition process itself educates governments about the model and generates interest in and attention to the PFS approach. The competition also serves as an action-forcing event with a deadline that enables government innovators who want to try the PFS model to obtain a decision from the senior government leaders to whom they report on whether to apply and make a commitment to undertaking a PFS initiative; this overcomes the inertia that can prevent busy government leaders from making such a commitment.

2) Dedicated Staffing. SIB Lab fellows are placed full time with a partner government and work closely with their state or local counterparts to assess the feasibility of a PFS project, select a suitable policy, coordinate the development process, support the government in negotiating PFS contract terms with intermediaries and investors, and initiate project implementation. The presence of a dedicated, full-time fellow whose focus is solely on moving the PFS project forward every day is essential to keeping projects on track.

3) A Knowledge Sharing Network of Government-side PFS experts. Our nine SIB Lab fellows embedded in governments throughout the country work as a team, sharing their learning with each other and collaborating when appropriate. With two projects in the operational stage, seven in the negotiations stage, and six in earlier stages of development, our team has participated in more PFS projects than any other group in the country. We meet by phone twice a week as a group to discuss challenging issues that we are encountering around the country; we have developed training modules that existing fellows deliver to new fellows when they come on board; and we convene both the fellows and the government-officials to whom they report for in-person retreats/ training sessions several times a year.

4) Advanced Technical Assistance. In addition to full-time assistance from SIB Lab fellows, our partner governments receive frequent direct support from the SIB Lab Cambridge-based team,

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including SIB Lab Director, Jeffrey Liebman, Executive Assistant Director, Gloria Gong, statistician, Avi Feller, and data analyst, Emily Tisdale. The Cambridge-based experts supervise the fellows and are engaged in a hands-on manner in the more technical aspects of these projects, including the benefit-cost analyses, financial modeling, payment-schedule negotiations, evaluation design, and contract structuring. We also connect our partner governments with other experts from around the country as needed.

5) Independent Advising. We work only on the government side of projects. We offer our services to governments pro bono, and we do not take any payments associated with deal completion. Because of these arrangements, and because our senior leadership has government experience, we are able to provide governments with independent advice that protects them from entering into deals that are not in the public interest. We take just as much satisfaction from preventing governments from entering into bad transactions as we do from helping them move forward on good PFS projects. Furthermore, our team's state-of-the-art expertise on benefit-cost analysis and evaluation design enables us to make sure our partner governments do not pay more than they should for outcomes and that they are well positioned to insist on evaluation methodologies that are sufficiently rigorous to generate real learning about program effectiveness.

It is remarkable how quickly the Pay for Success model has taken hold in the United States. Kippy Joseph of the Rockefeller Foundation has observed that "social impact bonds have gone from concept to execution faster than any other social innovation we have seen in years." One year ago there was a single \$10 million PFS project delivering services in the U.S. -- the New York City Rikers Island project. Today, with the Massachusetts and New York State criminal justice projects and the Utah early childhood pilot project, there are four PFS projects in the service-delivery phase that in combination are scheduled to deliver approximately \$50 million in services. The 10 governments we are working with are developing an additional 13 projects, and there are several projects being developed without SIB Lab assistance, so the total volume of U.S. pay for success contracts is likely to reach \$200 million within the next 12 months. We find it particularly encouraging that Massachusetts and New York, upon announcing that they had reached the service delivery stage with their initial projects, simultaneously announced that they would develop additional PFS projects in additional policy areas -- showing that they had become convinced that this model was enabling them to accomplish things they could not accomplish through conventional management and contracting tools.

Despite this progress, there are several challenges facing the field:

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1) Proving the model in new policy areas. It is not an accident that the first state-led PFS projects were focused in the area of criminal justice. The criminal justice projects have used outcome metrics -- employment and days of incarceration -- that are clear and can be obtained from data the government already collects; savings in these areas accrue relatively quickly to the government; and the level of government that receives the savings is the same one that makes the investment. It is important to explore how the PFS model can be applied in other areas, such as early childhood, where benefits are manifest over a longer timeframe, and in areas such as diabetes prevention, where Medicaid savings accrue to multiple levels of government and the projects require participation by multiple levels of government to achieve economic viability. Place-based initiatives that provide a menu of services procured from multiple service providers will test the PFS model's ability to engage multiple providers at once. The PFS model must also be tested in cases where the government is not simply scaling the efforts of an existing provider but is introducing services not yet available in its jurisdiction. Coming up with innovative ways to apply the PFS model in these more challenging contexts is critical if the model is to reach its full potential.

2) Streamlining the PFS project development process. The PFS model will be hard-pressed to spread widely if each deal demands two years of development time with extensive dedicated technical assistance on both the government and the private side of the transaction. There are promising signs that implementation of the PFS model is becoming more rapid as model contracts, RFPs, and legislative grants of authority become publicly available. However, more progress is needed in streamlining both technical assistance and project development.

3) Building sustainable government capacity. The SIB Lab model has proven successful in educating Government Partners about the PFS model, raising enthusiasm and awareness for PFS projects, and convincing Government Partners that the model delivers sufficient value to justify creating a permanent position to support PFS project development after the SIB Lab's intensive engagement ends. With current partners, the SIB Lab has been able to help pioneer governments move forward on a second round of PFS procurements by assisting the Government Partners in identifying, hiring, and training full-time PFS staff who have taken over the projects after the SIB Lab fellow's engagement period concluded; essentially we have incorporated these new government employees into our network of fellows even though they are not on our payroll. The next iteration of our work aims to determine whether it is possible to develop sustainable government capacity by identifying and training existing government employees to lead the jurisdiction's portfolio of PFS projects.

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As the SIB Lab approaches its third birthday, we are proud of the contribution we have made to the development of the PFS field in the U.S. Our plan for the next three years -- to be funded by the \$1,932,172 million in federal funds we are requesting through this proposal, the \$1,290,523 we have recently raised in matching contributions for this proposal, and a further \$641,665 that we are committing to raise -- is to contribute to the further advancement of the field by leveraging our particular strengths as an organization whose primary purpose is to discover, through our hands-on engagements, what is required for governments to foster social innovation and improve the results they obtain with their social spending and to disseminate widely the results of what we learn.

We have decided that we do not want to be the volume provider of cookie-cutter government-side technical assistance. Instead, we are going to focus our energies on the places where further innovation and new learning are needed in order for the PFS model to achieve its potential. We also believe we have a key role to play, as the most technically sophisticated organization in the field and as an organization that works solely on the government side, in upholding high standards for PFS initiatives-- in terms of evaluation design, measurement of fiscal and social benefits, and the like.

We therefore have three objectives for the next few years:

1. To work with governments to figure out how to make the pay for success model succeed in new issue areas, in new geographic and governing environments, and in places with different amounts of existing provider capacity. This work will expand the range of policy areas, geographies, and target populations to which the PFS model can be successfully applied, accelerating the maturation of the field.

2. To develop improved, less resource intensive, ways to provide technical assistance and build government capacity, along with more streamlined approaches to project development, so that the pay for success approach can spread more rapidly.

3. To continue to disseminate what we learn from our work so that others working in the field can benefit from the knowledge we create. This knowledge sharing endeavor will increase understanding of PFS projects as a tool for powerful social innovation and accelerate learning in the PFS field about how to best structure PFS projects.

To achieve these objectives we will engage in four main activities over the next three years:

1. Intensive work on the most innovative projects. Through national competitions described in detail below, we will select five Government Partners in the fall of 2014 and five additional partners in the fall of 2015. These partners will be selected based on their interest in pursuing particularly innovative projects that have the potential to expand the reach of the pay for success model. Because

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of the intensive work these innovative projects will require, these partners will receive the full package of SIB Lab services (described in further detail below), including a full-time on-the-ground Innovation Fellow.

2. Testing a group-based model of technical assistance. We aim to have one or two of the five Partners selected in each round be a group of two to four governments whose projects are similar enough that they will benefit from learning about the SIB model as a group. We will serve each group with a single Innovation Fellow who will be based in one of the governments but will spend extensive time on site at the other governments as well. While this group model has the potential to be more cost effective than our one-government-at-a-time model, that is not the main reason that we want to test this approach. Rather, it is that we think this alternative model might turn out to be more effective in building permanent government capacity to engage in PFS contracts-- capacity that will continue to exist even after our formal engagement with the particular governments end. The group approach will focus on training existing government officials to lead their governments' pay for success initiatives rather than in providing them with a fellow to lead the initiative. Governments seeking to participate in the group model would be required to designate a government employee to lead their pay for success initiative and agree that this individual would spend at least one-third and preferably one-half of their time on this initiative. Our fellow and the network of peers in the other participating governments would train and support the government leads. To comply with the requirements of this grant, the groups would be kept small enough so that each participating government would receive at least \$50,000 worth of services per year.

3. Knowledge Sharing. The SIB Lab's primary purpose is research. Our direct engagements with governments are designed to generate learning that we can share widely so as to improve the practice of public policy. Over the past four years, we have published several influential reports including Professor Liebman's original February 2011 explanation of the PFS model ("Social Impact Bonds: A Promising New Financing Model to Accelerate Social Innovation and Improve Government Performance") that introduced the U.S. audience to the promises and challenges of the model, our June 2013 "Guide for State and Local Governments" that has been downloaded more than 4000 times from our web site, our February 2013 "Lessons Learned So Far" article in the Federal Reserve Bank of San Francisco's Community Development Investment Review, and our response to the U.S. Department of Treasury Request for Information (RFI) in which we described the rationale for a federal government role in pay for success projects. Members of our team have testified at legislative hearings at both the state and federal level. In the past year, Professor Liebman spoke about the model

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at three dozen events, ranging from academic seminars, to meetings of nonprofit service providers, to board meetings of foundations that are considering whether to play an investor role, to large keynote addresses about the future of social innovation. Our government innovation fellows made a further three dozen public appearances. Over the next three years, we will continue to speak and write about what we are learning with the aim of increasing awareness and understanding of the PFS model among governments, nonprofits, and investors. We provide further details in section 1.c below.

4. Independent Reviews. As part of disseminating widely the insights we gain from our work and with the goal of maintaining high standards for PFS projects, we plan to develop the capacity for short-term engagements with governments whose projects are at fairly advanced stages of development and who would benefit from some limited pro bono technical assistance from the SIB Lab. As the pay for success field expands, we expect some governments to undertake projects without obtaining dedicated government-side technical assistance. For example, a government might engage an intermediary organization to assemble a project, and this intermediary might coordinate the private sector service-delivery partners, raise the private sector financing, and recommend payment schedules and evaluation designs to the government. In this circumstance, governments may benefit from an independent assessment of whether the proposed payment schedules are based on solid evidence about the relationship between improved outcomes and government savings, whether the proposed contract terms are in the public interest, and whether the evaluation methodologies will yield sufficiently reliable evidence about program effectiveness. From a research and learning standpoint these limited engagements will have two benefits. First, they will give us insight into a broader set of projects than just the ones for which we are providing full technical assistance. Second, it will help us further explore whether there are less resource intensive approaches to providing government-side technical assistance that would make it more likely that the pay for success approach can spread rapidly. Because our engagements with each of these governments will be short and will provide a level of resources well below the minimum levels of support required for the direct technical assistance portion of this grant, we will conduct this portion of our work as part of our Knowledge Sharing activities. The independent review process will also allow us to more fully utilize the SIB Lab's resources. We have found that technical assistance work is sometimes punctuated by periods of low intensity, as our fellows wait for government processes to unfold or senior leadership decisions to be made before projects can proceed to the next step of PFS development. The independent review process would help the Fellows smooth their workloads by providing short-term engagements during project downtime.

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Focus on Policies in Priority Funding Areas: While we have been contacted by parties interested in using the pay for success model in issue areas as far flung as energy conservation and wildfire prevention, we have chosen to limit the work of the SIB Lab to projects that tackle difficult social problems. As such, all of our work to date has been in issue areas that correspond with the FY 2014 SIF focus areas of Youth Development, Economic Opportunity, and Healthy Futures. Specifically, we have worked on projects that aim to: employ ex-offenders (economic opportunity), help youth involved in the criminal justice system make successful transitions to adulthood (youth development, economic opportunity), help youth involved in the foster care system make successful transitions to adulthood (youth development, economic opportunity), provide supportive housing for homeless individuals (healthy futures, economic opportunity), provide adult basic education (economic opportunity), provide drug treatment for families involved in the child welfare system (youth development, healthy futures, economic opportunity), provide home-visiting services to first-time mothers (healthy futures, economic opportunity, youth development), expand high quality pre-school (youth development, economic opportunity), prevent diabetes (healthy futures), and reduce infant mortality (healthy futures, youth development). We are also working with two states that are interested in using the PFS model to develop place-based strategies to tackle concentrated poverty. In our competition to select new Government Partners, we will require applicants to commit to projects that fit within the FY2014 SIF focus areas. Because we have particular research interests in helping governments develop systems to identify all at-risk individuals in a population so as to track outcomes and connect the right individuals with the right services (see Professor Liebman's Ten-Year Challenge proposal in his paper "Building on Recent Advances in Evidence-Based Policy Making," available on the SIB Lab web site), we will also signal that we are particularly interested in working with Government Partners who want to take a holistic approach toward identifying all of the Opportunity Youth in their jurisdiction and using PFS projects to improve outcomes for this population. We also have strong research interests in figuring out how to use the PFS model to scale high-quality early childhood interventions and will signal that we will reserve at least two project slots from the national competitions for early childhood projects.

Ultimately, we judge our success by the extent to which our work advances the PFS field and enables governments nationwide to make more rapid progress in ameliorating difficult social problems. However, for management purposes we also have specific deliverables and outcome targets for this project:

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Deliverables:

1. We will conduct two national competitions to select new Government Partners.
2. We will provide technical assistance services to at least ten governments and track each one's progress through each of the stages of our PFS project development model as described in detail below.
3. We will publish three annual "lessons learned" reports.
4. We will publish at least six technical guides that describe best practices on topics such as "minimizing appropriations risk," "targeting services to high risk populations," and "negotiating PFS agreements that involve multiple levels of government."
5. We will submit quarterly progress reports, bi-annual financial reports, and a final financial and progress report to CNCS. In addition, we will work closely with the CNCS evaluation team, and participate in the SIF PFS learning community to ensure the capture and dissemination of lessons learned.

Outcome Targets: Given that we are deliberately targeting our work on the most innovative projects, we cannot predict exactly how many projects will reach each stage in the development process. Nonetheless, based on past experience we would expect:

1. That our partner governments would choose to issue at least seven RFIs and seven RFPs; 2. That our partner governments will reach the transaction structuring stage on at least ten specific PFS projects. We anticipate that not all of the governments we assist will reach the transaction structuring stage, but that this will be offset by some governments moving forward on more than one project; 3) The SIB Lab is not the current recipient of, or under consideration for, other federal funding. All of our current resources come from the Rockefeller Foundation, the Laura and John Arnold Foundation, and the Dunham Fund.

b) Description of Activities: Provision of TA or Deal Structuring Services

National competition. With the support of the CNCS SIF grant, the SIB Lab will conduct two national competitions to select new Government Partners, one in the fall of 2014 and a second in the fall of 2015. Each time, the SIB Lab will select five Government Partners, which may be individual state or local governments, groups of governments, or cross-jurisdictional partnerships (e.g., a city and state applying together). Government Partners selected through the competition will receive dedicated pro bono technical assistance for up to 15 months to assist in all of the steps of PFS feasibility assessment and project development prior to transaction structuring. In administering the competition, the SIB Lab will use the same open and transparent process it developed for its 2012

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national competition, which received 28 applications from state, county, and municipal governments.

1. The application and evaluation criteria will be posted on our website and distributed through channels such as the National Governors Association and the National Association of State Budget Officers, as well as through the SIB Lab mailing list of over 1000 individuals who are interested in our work.

2. The application form itself will be short so as to encourage as many governments as possible to indicate their interest. The three-page form we used for our previous competition is available at www.hks-siblab.org/apply/.

3. Our team will be available for telephone consultations with governments that want to learn more about the PFS model or about our services so as to help them prepare stronger applications.

4. As we did in 2012, we intend to conduct telephone interviews with all applicants. However, if the number of applicants is overwhelming, we reserve the right to conduct interviews with only the strongest applicants.

5. The SIB Lab staff will make selection recommendations to the SIB Lab selection committee, currently made up of Professor Liebman, Stephen Goldsmith (former mayor of Indianapolis and deputy mayor of New York City), and Jay Gonzalez (former Massachusetts budget director). The selection committee will make final decisions on which projects to undertake. We are likely to add additional selection committee members before undertaking the selection process.

6. There will be both eligibility criteria and selection criteria. To be considered eligible for the selection process, governments will need to be willing to enter into an MOU with Harvard University over the terms of the pro bono technical assistance and demonstrate interest in developing a PFS project in an issue area that is consistent with at least one of the three FY 2014 SIF focus areas. Selection criteria will include: a) the potential to advance the PFS field by applying the model in new areas or policy fields; b) a high level of commitment to the Pay for Success model among top decision makers in the jurisdiction, including the interest and capacity to continue PFS work into the transactions stage after SIF-funded technical assistance has ended; c) the scope for the project to be scaled up if successful; d) the availability of innovative service providers with evidence-based or promising interventions; and e) a focus on previously underserved populations or geographic areas. The criteria will be weighted equally.

7. As discussed above, at least two of the projects we choose will be in the area of early childhood, and we also aim for at least one project in the area of opportunity youth.

8. The mix of single jurisdiction projects and multi-jurisdiction projects will depend on the

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specific proposals received, but we aim for each competition to yield three to four single jurisdiction projects and one to two multi-jurisdiction projects.

9. The SIB Lab has no financial interest in the outcomes of PFS transactions, including those it will help governments develop through the SIF-funded national competition. We deliver all of our services pro bono and do not receive any payments associated with PFS transactions.

Menu of Services Provided to Government Partners:

Over the past two years, the SIB Lab has developed a model for delivering PFS feasibility assessment and capacity development technical assistance to governments. We have tested this model with 10 governments that are collectively developing a total of 15 PFS projects, including 2 that are already delivering services. Our model is described in detail in our Guide for State and Local Governments, available at <http://hks-siblab.org/publications/>. Through this model, the SIB Lab will assist the Government Partner in addressing the programmatic, budgetary, regulatory, and procurement aspects of PFS projects.

Each Government Partner (or set of partners in the case of a group project) will receive dedicated technical assistance services from the SIB Lab worth approximately \$325,000 for the 15 month period of the partnership. Our technical assistance services consists of five core components:

- 1) Full-time, on-the-ground assistance from a SIB Lab Innovation Fellow, who is typically housed in the governor or mayor's policy office or budget office;
- 2) Additional direct assistance and support from an experienced Assistant Director who has already overseen one or more PFS projects through to development;
- 3) Direct assistance and support from the Cambridge-based team, including SIB Lab director Jeffrey Liebman, Executive Assistant Director Gloria Gong, statistician Avi Feller, data analyst Emily Tisdale, and the Harvard Kennedy School Taubman Center for State and Local Government staff;
- 4) Additional dedicated resources for data matching and analysis equivalent to a half-time FTE for a year;
- 5) Flexible funding of \$15,000 to overcome barriers encountered during the assessment and development process, including procuring legal counsel or technical experts to address project-specific issues.

Please see Section 3(a) and (b) for a full description of our proposed TA team. In all our projects to date, the SIB Lab has hired the fellows and contracted with the additional consultants and then provided their services pro bono to the governments. This approach has been more streamlined than

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the alternative of setting up governmental trust fund accounts to receive the funds and then having the governments do the hiring and procuring themselves. However, if a Government Partner preferred a different arrangement, we would work with them to develop an appropriate procedure. In the group model, the group of governments acts as one Government Partner and receives the same services described in this section but shared among the cohort, with one Innovation Fellow serving the group of governments.

PFS Project Feasibility Analysis and Development Technical Assistance

We begin our engagement with several steps that lay the foundation for a strong relationship between the SIB Lab and the Government Partner and prepare the government for the PFS process. As early in the engagement as possible, Professor Liebman and other senior SIB Lab leadership visit the Government Partner on site, meet with senior government leaders, and deliver our standard PFS 101 training to a large group of government officials. This training explains the model, gives concrete examples of projects that have been established in other jurisdictions, and emphasizes key criteria for successful PFS projects. These criteria are both strategic -- projects need to address a top priority of the chief executive and have the potential for large, scalable impact -- and technical-- projects need to have the potential for high net benefits (either cashable savings or social benefits), measureable outcomes, sufficient sample sizes, a reliable comparison group or counterfactual, and safeguards against harming the treatment population. The other key initial step is recruiting and hiring an innovation fellow. We typically recruit fellows who are graduating from public policy schools, business schools, economics MA programs, and law schools. We have been extremely successful in hiring very talented fellows -- individuals whose skills span evaluation design, financial modeling, team leadership, and strategic political judgment. We think our success in hiring is largely because the opportunity to be at the forefront of the field of social innovation and to have a first job that draws upon such a broad range of skills is very attractive. We also provide our fellows with three different types of mentoring -- they report to a senior government lead, to Professor Liebman, and participate as part of a cohort with the other fellows, including experienced fellows who have developed multiple SIB projects. We run two-day training sessions for each cohort of new fellows and then follow that up with a two-day training sessions for all of the government leads they report to. The training sessions build relationships across innovators working around the country in different jurisdictions that are critical to sustaining momentum for the PFS field and capacity in these particular projects.

At the beginning of our engagements, Government Partners sign an MOU with the SIB Lab

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that, among other things, expresses the Government Partner's agreement to supply office space and necessary equipment for the fellow and provide a Government Lead who will take the lead on the PFS project, supervise the fellow. After laying this foundation, the next step in our model is to help governments identify one or more specific policy areas for a potential PFS project. Approximately half of our current governments approached the SIB Lab 2012 competition with a specific policy area already selected. The other half sought the SIB Lab's assistance in determining which policy area offered the best opportunity to use the PFS model to address one of the government's top priorities. For governments that choose to begin with a broad survey of different policy areas, we help them generate initial ideas, filter the ideas, and then conduct careful feasibility analyses for the most promising ideas. Idea generation typically occurs through four processes. First, we run internal brainstorming sessions in which we bring together the policy experts from all of the human service agencies in the government and ask them to think of opportunities where greater investments in preventative services have the potential to yield savings and/or social benefits down the road (the full set of brainstorming questions we use are available on page 16 of our SIB Guide for State and Local Governments). Second, we encourage governments to seek additional ideas through a public request for information process. To date we have helped eight governments draft and issue requests for information. Third, we help governments identify service providers in their jurisdiction who appear to be high performing, and then, as described below, help the state assess whether their results are in fact as advertised. In some cases, we also help governments identify high-performing service providers operating in other jurisdictions and investigate whether it might be feasible to bring their services to our partner jurisdiction. Fourth, we provide governments with ideas for evidence-based initiatives from successful program evaluations, drawing on research collected by organizations such as the Coalition for Evidence-Based Policy and the Washington State Institute for Public Policy. These four processes typically yield a total of more than three dozen ideas.

About half of the initial ideas can usually be ruled out quickly as not fitting the criteria for a pay for success project -- for example, due to lack of measurable outcomes. For the remainder, we work with each of the relevant city or state agencies to do a preliminary assessment of whether the project would be feasible, and we hold discussions with senior government leaders to obtain decisions about which policy areas are the highest priority. These discussions typically yield four to eight priority candidates for PFS projects that then receive full feasibility analyses. While this winnowing process is occurring, we are also supporting the government as it reaches out to potential community partners -- service providers, philanthropic foundations, commercial investors -- to educate them about the

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model and gauge potential interest in participating in projects in different issue areas. Since it clearly makes no sense to move forward on a project that lacks the necessary private sector partners, this early engagement is critical to informing decisions about which policy areas to move forward in.

The feasibility analysis has several components. One typically involves matching administrative data sets across several different government agencies to identify the target population and establish baseline outcomes. For example, for a juvenile justice project, it may be necessary to match records of individuals previously under supervision to their subsequent adult criminal histories (from the corrections department), education records (from the education department), and earnings records (from the labor department). Because many projects are economically viable only if services are focused on the highest risk individuals, a critical part of this analysis involves developing algorithms for identifying the highest risk individuals and for targeting specific geographic areas within the city or state to serve.

A second work stream involves building a model of how improvements in outcomes translate into budgetary savings and social benefits. This work often involves in-depth discussions with agency experts to build bottom up assessments of the budgetary savings that will potentially accrue. A third work stream involves assessing potential interventions and providers to understand the cost of services and the likely impacts on outcomes that the interventions will produce. In some cases, there is an existing strong evaluation study that provides evidence on the likely impacts -- though typically even the strongest evidence comes from services that were provided to somewhat different populations, in distant time periods, and different geographies. In other cases, original evidence needs to be generated for the particular PFS project by obtaining data on individuals served by the providers in the past and comparing outcomes for those individuals to a sufficiently comparable population of individuals who did not receive services. A fourth work stream pulls all of the other three together into a benefit-cost-payment schedule model for the project.

Projects are only financially viable if the payments the government is willing to make (based on budgetary savings and in some cases on other benefits) exceed costs by enough to compensate investors for the risk they are taking on at the level of outcome that the evidence suggests the intervention will achieve. Projects also have to be feasible from an operational standpoint. Before a decision is made to move forward to procure services, there needs to be an enthusiastic lead government agency that is capable of managing the project as well as a high likelihood that sufficient provider capacity and investor interest will emerge.

Once a decision is made to move forward on a specific PFS project, the SIB Lab helps the

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government decide on a procurement strategy and draft an RFP. We also often speak at the Q&A sessions that are held soon after the RFP is released. In some cases, governments procure intermediaries and service providers separately. In other cases, they procure only an intermediary and let the intermediary identify the service provider. In still other cases, they solicit joint applications from intermediary-service provider teams. The choice of strategy typically hinges on issues such as the amount of existing provider capacity, the geographic range of the project, and whether the government has already decided which specific intervention model it wants to procure. A key tradeoff in drafting an RFP is how specific to be about the financial terms and service provision details. Too much specificity may reduce the amount of creativity that can be applied by the intermediary and provider in constructing a viable project. Too little specificity can make it hard for the government to judge whether the responses meet its requirements. The SIB Lab assists its government partners in drafting and issuing RFPs, creating and applying selection criteria, and interviewing and selecting intermediaries and providers.

Sometimes the feasibility assessment stage reveals that a PFS project is not feasible -- for example, that the benefits are not sufficient to cover programs costs. The SIB Lab and Government Partner may also determine that a feasible PFS project is unnecessary because there is a more efficient way to fund the intervention using more traditional approaches. In either of these cases, the SIB Lab will usually work with the Government Partner to explore alternative PFS project topics or areas that might prove fruitful. In addition we will produce a report explaining why the PFS project was not feasible and outlining alternative approaches the government might want to consider in order to achieve the desired social outcomes.

PFS projects present novel contracting challenges and often give rise to multiple legal and regulatory needs. The SIB Lab is experienced in assisting Government Partners in drafting memorandum of understanding between agencies to facilitate data-sharing agreements, analyzing existing legal authority, and, if needed, drafting legislation. The SIB Lab has assisted some current Government Partners in obtaining pro bono legal assistance, and we maintain a list of lawyers who have reached out to us to express their interest in providing pro bono services in future projects. The proposed budget also provides for some flexible funds that can be used to assist governments in obtaining a limited amount of external legal assistance to supplement the government's in-house counsel. In general, much of the work on structural tasks such as building legal capacity, obtaining legislative authority, and identifying an independent evaluator for the project can occur during the otherwise quiet time period after the Request for Proposals has been released and before responses

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have been received. However, it is important to engage informally with legislative leaders before the RFP is released to get their tacit approval -- otherwise they may question why the executive branch is issuing a procurement for which it does not yet have legislative authority.

While the government innovation fellow embedded in the partner government takes the lead role in providing the technical assistance, the fellow is supported by Professor Liebman who advises on the more complicated technical and strategic issues, by an executive assistant director, by Avi Feller, our statistician who advises on evaluation design issues, by an assistant director who is a past fellow and has been through the development process before, by our other fellows who share their expertise with each other, and by our back-office administrative support that coordinates training, and helps with scheduling, reimbursements, and the like. We also maintain a database of past documents that we have written and financial models we have created that fellows can use as the first draft of similar products that they need to produce for new jurisdictions.

Our team has particular expertise in reviewing the eligible evidence base for specific issue areas and identifying models that have a high likelihood of success. Professor Liebman teaches courses in program evaluation and benefit-cost analysis at the Harvard Kennedy School and has been the principal investigator on several large randomized social experiments. Avi Feller is an expert on causal inference and has applied these techniques to important policy areas such as the heterogeneity of Head Start impacts. Most of our fellows are hired from public policy programs where they have received training in evaluation methodology and benefit cost analysis, and Liebman and Feller supplement this base level of training with more advanced and PFS-specific material as part of the training we do for new fellows. We also frequently reach out to nationally recognized experts and scholars when we start working in a policy area that is new to us.

The SIB Lab also supports Government Partners in building capacity by identifying local experts with expertise in specific areas of policy or methodology needed in their PFS project. The proposed budget reserves funds for each Government Partner to engage a senior technical expert if needed. The budget also contains resources for each Government Partner to procure on-site data analysis help. When data analysis needs cannot be met in house by the government, or by our fellows, assistant directors, or local experts, the SIB Lab has the capability to bring the data to its level 4 secure data facility in Cambridge for analysis by its Cambridge-based data analyst.

Building Government Partner Capacity:

The SIB Lab sees its main work as transferring an important set of knowledge and skills crucial

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to successful PFS project development to our Government Partners. By the end of its feasibility and development technical assistance engagement with the SIB Lab, a Government Partner should have the internal capacity to enter the deal transaction stage and to pursue additional PFS projects without the SIB Lab's day-to-day guidance.

In our experience, governments attempting to implement PFS projects need several types of capacity in order to develop a successful project development:

- 1) A dedicated staff person whose focus on the project will keep it moving forward even when more senior people in the government are distracted by the crisis of the day.
- 2) Capacity to make informed senior-level policy decisions about PFS, including choosing issue areas, the size and length of the project, where it will be housed, and how much to pay for outcomes.
- 3) Capacity to work on the complex, day-to-day technical details of the project.
- 4) Capacity to match and analyze data sets, so as to establish a historical baseline, identify a target population, choose outcome targets, and design an evaluation methodology.
- 5) Capacity to work with the selected providers, including the ability to identify high-risk individuals, refer them to the providers, and track outcomes.
- 6) Capacity to draft performance contracts, legislative authority, data sharing agreements, and memoranda of understanding.

The SIB Lab helps Government Partners acquire all of these types of capacity. Some of what we provide governments with are discrete tools and products -- financial models, computer code for data analysis tasks, drafts of data sharing agreements, MOUs, performance contracts, RFIs, RFPs, evaluation criteria, and authorizing legislation. These tools and products remain with the government after its SIB Lab engagement ends, and are available for them to use for future projects. Indeed, we have found that the data sharing agreements and data analysis tools that are created through the PFS process often go on to be used by agencies to measure outcomes in their core operations.

The other main thing we provide governments is enhanced human capital. At the beginning of an engagement, much of the necessary project expertise is provided directly by the SIB Lab Fellow. But throughout the technical assistance process, the SIB Lab works closely with the Government Partner to shift key skills and knowledge from the Fellow to the government. We do this in several key ways:

- 1) Identifying a Government Lead--a key point-person in the government to take the lead on the PFS project. The Fellow works closely to train the Government Lead in using the models, data analysis products, and other tools produced during the PFS process to ensure that the government will

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be able to continue to use them at the end of the engagement.

2) Including the Government Lead in SIB Lab training both upfront, during our engagement, and after our formal engagement ends. Once a project is completed, the Government Lead remains part of an alumni knowledge network, allowing him or her to stay up-to-date on cutting-edge advances in PFS and facilitating collaboration with other governments.

3) Assisting the Government Partner in selecting, hiring and training a full-time staff person to take on PFS work within the government, or in identifying and training an existing employee to assume the PFS portfolio. With the two projects that have already launched, the SIB Lab has found that both governments were eager to support additional PFS work, and both governments established a permanent staff position to support PFS projects. The SIB Lab helped find talented staff to fill those positions, provided training, and included the new staff members in our network of fellows.

4) Educating senior leadership in government agencies, in the chief executive's policy office, and in the budget office about the model so that they are able to make good decisions about where to apply it and about issues in project development that require senior level policy decisions.

5) In addition to close collaboration with senior leadership and the Government Lead, the SIB Lab model depends on direct, early involvement with staff from implementing agencies and from data analysis staff to secure their buy-in and expertise. We have found that by engaging implementing agencies early and consistently, we build an understanding of PFS projects that allows the agency to successfully implement the projects once the PFS contract has been executed.

c) Knowledge Sharing

The SIB Lab exists to produce learning and disseminate knowledge about the PFS model. Our charter states that we "conduct research on how governments can foster social innovation and improve the results they obtain with their social spending." We have fulfilled this commitment by publishing and speaking widely about what we have learned about the pay for success model. During the next three years, the SIB Lab will continue to publish its findings. Specifically, we will publish three annual "lessons learned" reports that crystallize what we think are the most important insights from our past year of work. In addition, we will publish at least six technical guides during the course of the grant that discuss best practices on issues such as "minimizing appropriations risk," "targeting services to high risk populations," and "negotiating PFS agreements that involve multiple-levels of government."

We will continue to encourage our project partners to make their key documents publically

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available in order to accelerate learning in the PFS field. The two projects we helped become operational in New York State and Massachusetts are the two most transparent PFS projects in the world to date. Both released their evaluation plans and contracts at the beginning of their projects, allowing other states to use them as models. We will include a stipulation about open-source sharing of contracts and evaluation plans in the notice of our national competition to ensure that Innovation Partners are prepared to make key documents publicly available.

During the next three years, our team members will continue to present in a diverse array of public events, educating providers, government officials, and philanthropists about implementation of the PFS model. As described above, we will also introduce a new knowledge-sharing activity during the coming work period -- independent reviews. These short-term engagements with governments that seek technical assistance on narrow aspects of their projects will offer us the opportunity to share with a wider group of governments the expertise that we have developed in our intensive engagements. The independent review process will also allow the SIB Lab to take advantage of the natural cycles in the PFS development process. We have found that stretches of intense work are often punctuated by periods of calm while government processes unfold or decisions by senior leaders are pending. Our fellows currently use these less-intense periods to get started on work products that will be needed in future stages of the PFS project development, to produce knowledge sharing documents, and to support other fellows whose projects are at busier stages. The independent reviews would represent another way that we can smooth workload. Fellows whose own projects are in a quiet phase would be used to staff the independent review limited engagements. We already use our experienced fellows to explain the SIB concept to other governments that are just learning about the PFS model. This independent review process will allow us to switch some of our knowledge-sharing resources away from explaining the basics of the model and toward sharing knowledge on the more complex technical questions that arise during PFS development and implementation.

A key part of our technical assistance model includes building the data matching and analysis capacity of our partner governments. This is essential for the PFS feasibility studies and also generates information that can inform policymakers about program effectiveness more broadly. We also strongly encourage our partner governments to develop evaluation strategies for their PFS contracts that measure impacts beyond the relatively narrow set needed for payment purposes. In some cases, this involves measuring additional outcomes over the same time frame. In other cases, it involves committing to longer-term evaluations even beyond the time frame of the PFS contract. We have also encouraged our partners to include qualitative process evaluations and fieldwork as part of these

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projects so as to gain insights into why the measured impacts occurred.

As part of our proposed work for the next three years we look forward to supporting the national evaluation of the PFS Competition. We will make our fellows and senior leadership available to the national evaluation team for interviews and discussions. The SIB Lab will store data on its national competition, including information on all applicants (including those that we not selected), on how the eligibility and selection criteria were applied, and on how each project progressed against the milestones in our technical assistance model tracker. Professor Liebman has experience collaborating with the federal government as a grantee in past evaluations of grant competitions with multiple grantees -- including HUD's Moving to Opportunity evaluation and NSF's Integrative Graduate Education and Research Traineeship program.

d) Description of Activities: Proposal to Identify Innovative, More Effective Solutions

As described in our theory of change, the PFS field is facing several challenges as it expands and matures:

1) It has not yet been tested in a wide variety of policy areas that could potentially benefit from it. 2) In its current state, the PFS model takes too long to implement and requires too much intensive technical assistance for it to be widely adopted. 3) PFS practitioners must improve their ability to build sustainable government capacity to support multiple ongoing PFS projects.

We propose addressing each of these challenges through our national competition, standard and group-based models of technical assistance, independent reviews, and other knowledge sharing activities. We believe that this approach will adapt our successful model of technical assistance provision to address the cutting-edge questions of the PFS field.

1) By testing the PFS model in our policy focus areas, we will increase knowledge about how the PFS model applies to projects in which the benefits are not immediate and where savings accrue to disparate agencies or across levels of government. We hope to generate valuable learning about the PFS model's role in innovative areas such as place-based or wraparound interventions, projects that involve both federal and state or state and local governments, and projects that engage multiple providers simultaneously.

2) By testing a group-based model of technical assistance and by piloting an independent review process, we are making strides toward increasing the ability of the PFS model to be implemented on a broader scale.

3) Our knowledge sharing activities, our emphasis on having our partner governments interact

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frequently with each other to share experiences, and our focus on project transparency means that the learning generated by our technical assistance spreads far beyond individual engagements. By implementing an independent review process as part of our knowledge sharing, we intend to make advanced technical assistance available to more governments while streamlining our delivery process.

e) Description of Activities: Work Plan and Deliverables

Our main work in this project will be performed with two cohorts of government. Cohort A will be selected in a national competition held in the fall of 2014. Initial work with this cohort will commence in the spring of 2015, with intensive engagement beginning with the placement of our innovation fellows in the summer of 2015. The intensive engagement will last an average of 15 months. Cohort B will be selected in a national competition held in the fall of 2015. Initial work with this second cohort will begin in the spring of 2016, and fellows will be placed in the summer of 2016.

Outputs and Grant Deliverables

The feasibility assessment and development phase for each PFS project is subject to variation depending on local needs and conditions. The following timeline reflects the progression of a typical project but there will be considerable variability in both which steps occur and how long they take.

General Grant Responsibilities (assumes a September 2014 award date).

December 2014: Submit a quarterly progress report and quarterly expense report to CNCS.

March 2015: Submit a quarterly progress report, quarterly expense report, and bi-annual financial report to CNCS.

June 2015: Submit a quarterly progress report and quarterly expense report to CNCS.

September 2015: Submit an annual report to CNCS.

These quarterly reports repeat on the same schedule until the final report to be submitted in November 2017.

Publications

No later than October 2015: Publish first lessons learned report.

No later than July 2016: Publish two technical assistance guides.

No later than October 2016: Publish second lessons learned report.

No later than July 2017: Publish remaining four technical guides.

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No later than August 2018: Publish third lessons learned report.

Cohort A Work Plan:

October 2014: Draft national competition notice, prepare outreach lists, finalize eligibility and selection criteria.

November 2014: Issue notice of national competition through selected channels and on the SIB Lab website, begin providing support to potential applicants.

December 2014: Post job announcement for SIB Lab Innovation Fellows.

January 2015: Conduct interviews with competition applicants, review applicants based on eligibility and selection criteria, determine a final list of five Government Partners for Cohort A, begin interviews with potential fellows, work with existing Fellows and Assistant Directors to create training materials for successful Government Partners.

February 2015: Submit selected applicants to the SIB Lab selection committee for review and approval, continue interviews with potential Fellows, train Assistant Directors, announce five competition winners.

March 2015: Negotiate terms of MOUs with selected Government Partners, select new SIB Lab Fellows, begin pairing SIB Lab Fellows and Government Partners.

April 2015: Finalize MOUs

May 2015: conduct SIB Lab Fellow training in the PFS model, data analysis, and evaluation design. Professor Liebman and other senior staff make initial site visits. Start helping some partners draft RFIs.

May 2015-August 2015: Fellows begin on-site engagements.

June 2015: Begin helping governments determining a suitable policy area, coordinate internal government discussions, generate an initial list of promising interventions, draft an RFI.

July 2015 or soon after: Issue an RFI.

August and September 2015. Analyze RFI responses and other ideas for target policy areas, begin to filter possible ideas for priority policy focus, strong leadership, potential for high net benefits, and technical feasibility.

Early Fall 2015: Recruit a data analyst/research assistant, as needed, support government in analyzing historical baselines. Support government in beginning to identify target population. Support government in identifying promising interventions and analyzing historical performance of specific providers. Help develop proposal for Governor/Mayor's budget.

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Late Fall-Early Winter 2015: Conduct detailed feasibility studies of my promising options. Support government in conducting a benefit-cost analysis and building a model of payment schedule options. Start planning for obtaining any necessary authority from the legislature. Start drafting legislation.

Early 2016: Support government in conducting analysis necessary to develop a rigorous evaluation methodology. Identify a target population.

January-February 2016: Should the government wish, support the government in its process of engaging an intermediary (issue an RFP, review submissions, create judging criteria, assist in selecting successful applicant.)

February-May 2016: Support the government in its process of engaging service providers. Issue an RFP, review submissions, create judging criteria, and assist in a selecting successful applicant. Support the government in drafting and executing contracts.

May-July 2016: Support the government in its process in transitioning to the deal construction phase. Support government in developing operating procedures for referring participants, tracking program progress and making mid-course corrections, etc. Assist with transition to deal transaction stage.

Cohort B Work Plan:

The Cohort B work plan is identical to the Cohort A work plan, with all dates shifted ahead one year.

Staff positions and time allocation

SIB Lab Director, Jeffrey Liebman: part of existing team, 50 percent of time.

SIB Lab Executive Assistant Director, Gloria Gong: existing team, 75 percent of time.

SIB Lab Statistician, Avi Feller: existing team, 40 percent of time.

SIB Lab data analyst, Emily Tisdale: existing team, 50 percent of time.

2 SIB Lab assistant directors: existing team, full time.

10 site-based SIB Lab Fellows: to be hired, full time.

Site-based data analysts: to be hired as needed, engagement length dependent on specific projects.

Site-based senior technical advisors: to be contracted as needed, engagement length dependent on specific projects.

Organizational Capability

a) Track Record of Selecting and Working with Sub-Recipients

The SIB Lab has extensive experience selecting and working with state and local governments interested in pursuing PFS projects. We have a proven track record of selecting projects through an

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open competition, rapidly hiring talented fellows to work with our partner governments, designing and implementing training programs for both our fellows and government leads, and simultaneously managing a large portfolio of geographically dispersed PFS projects.

In 2012, the SIB Lab, with support from the Rockefeller Foundation, conducted an open competition to select the most innovative and promising PFS projects with governments who expressed a desire to test the PFS model. Applicants were judged on a set of pre-specified criteria: commitment to the PFS model among leadership, scope for the project to be scaled up if successful, and the availability of innovative service providers with proven or promising interventions. Experienced SIB Lab staff conducted phone interviews with every applicant to learn more about their proposed projects and interest in the PFS model and provided initial scoring based on a pre-specified set of evaluation criteria. SIB Lab staff then made recommendations to a selection panel for final approval. The panel consisted of three members: Jay Gonzalez, former Secretary for the Office of Administration and Finance for Massachusetts, Stephen Goldsmith, former Mayor of Indianapolis and deputy mayor of New York City, and Jeffrey Liebman. We received 28 applications, and when it became clear that there were more strong proposals than we had resources to serve, we raised the additional funding necessary to allow us to provide services to 10 governments.

The ten governments we are working with are progressing systematically through the stages of our PFS development model. Eight of them have issued RFIs. Seven of them have procured or otherwise identified private sector partners and are currently in the negotiation stage. We have also seen two projects with our original partners, Massachusetts and New York, through to the service-delivery stage.

Due to the nature of our assistance model, which involves embedding fellows within government, we have a track record of rapidly developing strong relationships with our partner governments and their agencies. Our SIB Lab fellows are routinely sought out for their expertise to help address related government challenges, demonstrating the level of engagement they have within their host governments. Because the SIB Lab fields several hundred calls a year from other interested governments, service providers, and potential investors across the country, we have strong local connections not only in the states in which we are currently operating, but also in other jurisdictions interested in pursuing PFS models. For example, members of our team have recently traveled to Maryland, North Carolina, New Mexico, and Nevada to give support to incipient PFS efforts in those states, and members of our team regularly talk by phone with government officials in Washington, DC, Philadelphia, and Baltimore who are attempting to launch PFS initiatives.

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b) Project Experience with Pay for Success

Over the past three years, the HKS SIB Lab has implemented its technical assistance model with ten state and local jurisdictions. Fifteen pay for success projects are currently receiving technical assistance from the HKS SIB Lab. With two projects in operation, seven in negotiations, and six in earlier stages of development, the SIB Lab has participated in more pay for success projects than any other organization in the United States. To date, the SIB Lab has completed 35 feasibility studies and helped draft 8 RFIs on behalf of the state and local governments that we serve.

We have published our step-by-step technical assistance model which we developed through our initial engagements in our Guide for State and Local Governments. As described in detail in our Guide and in section 1.a. and 1.b, the SIB Lab assists states in all stages of PFS project design and implementation, from feasibility analysis to policy selection to execution, supporting state and local governments with programmatic, analytical, financial, evaluation, and implementation challenges as they arise. The SIB Lab educates government partners about the model, assesses project feasibility, and helps identify suitable policy areas. Our fellows and Cambridge-based team assists with a series of analytical, financial and structural tasks to identify an appropriate target population, analyze promising interventions, and review evaluation evidence. We then assist with procurement, benefit-cost and financial modeling, and negotiation and implementation.

List of SIB Lab Projects

Over the past twelve months, each of the SIB Lab's partner governments have made progress in developing Pay for Success projects.

New York State: On December 30, 2013, New York State announced the launch of the first state-led pay-for-success initiative in the United States. The 5.5 year project will connect 2,000 formerly incarcerated individuals who are at high risk of reoffending to the Center for Employment Opportunities (CEO) to receive evidence-based employment training and job placement services. Individual and institutional investors invested \$13.5 million in this project, and will be repaid based upon the program's impact on recidivism and employment. The program is one of the first PFS projects to be evaluated using a Randomized Controlled Trial (RCT). On March 6, 2014, New York State announced finalists for four additional PFS interventions in home visiting, diabetes prevention, school-based health services, and juvenile justice.

Massachusetts: In 2012, Massachusetts implemented authorizing legislation establishing a

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Social Innovation Financing Trust Fund. On January 29, 2014, the Commonwealth of Massachusetts launched the Massachusetts Juvenile Justice Pay for Success Initiative. The 7 year project will connect 929 at-risk young men to an organization providing evidence-based educational, prevocational, and employment programming services. Investors will be repaid based upon the program's impact on recidivism and employment. If successful, the Commonwealth of Massachusetts has committed up to \$27 million in success payments. The program is also one of the first PFS projects to be evaluated using a Randomized Controlled Trial (RCT). A second project to house 400 chronically homeless individuals is being developed. In February 2014, Massachusetts issued a Request for Responses (RFR) to fund a third pay-for-success program, in adult basic education.

Connecticut: In November 2013, the Connecticut Department of Children and Families issued an RFI to solicit proposals for a PFS contract to enhance service delivery and improve outcomes for children and families. In February 2014, Connecticut issued an RFP for an intermediary to set up a PFS project to expand services for families involved, or at risk of becoming involved, in the child protective services system and that are impacted by substance abuse issues.

Illinois: On May 5, 2014, Governor Pat Quinn announced partner selection for the first PFS contract in the State of Illinois. The project is expected to connect 800 at-risk youth involved in both the child welfare and juvenile justice systems to evidence-based community services that aim to improve placement outcomes and reduce re-arrests. Illinois is partnering with a network of community providers, the Conscience Community Network (CCN), which is a collaboration of seven child welfare and juvenile providers.

South Carolina: On September 17, 2013, the South Carolina Department of Health and Human Services issued an RFI to solicit ideas regarding the design and development of a PFS program to improve child and maternal outcomes for mothers and newborns enrolled in South Carolina's Medicaid program.

Colorado: On September 3, 2013, the State of Colorado issued an RFI to solicit ideas for PFS projects. Priority areas include early childhood development, at-risk youth and supportive housing, among others.

Ohio: The State of Ohio is currently working to identify a suitable policy area for its PFS initiative.

Michigan: In September 2013, the State of Michigan issued an RFI to solicit ideas for PFS projects. Priority areas include criminal justice and human services, among others. Michigan recently enacted legislation granting authority for its PFS initiative.

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Chicago: The City of Chicago is currently in the process of developing its PFS project. Details are not yet public.

Denver: On September 3, 2013, the City of Denver issued an RFI to solicit ideas for PFS projects. Priority areas include early childhood development, at-risk youth, supportive housing and programs targeting the highest utilizers of city services. The City recently announced that it is moving forward to develop a supportive housing PFS project.

c) Experience in Project Management

All our projects are supervised by our central office in Cambridge. In addition to the SIB Lab Director, Jeffrey Liebman, the SIB Lab has a full time Executive Assistant Director to coordinate the activities of the fellows, a resident Statistician, and research assistants available to assist with data analysis. As Professor Liebman was recently appointed Director of the Harvard Kennedy School's Taubman Center for State and Local Government, the SIB Lab now also has access to a full time financial manager and administrative assistant to provide administrative support, including financial and grant management. Now that we have been in existence for several years, we have built up a team of experienced fellows who have been through the PFS development cycle several times. These experienced fellows are being promoted to regional Assistant Directors and will split their time between the specific projects that they are responsible for and coaching and supervising the new fellows we bring on board for the new engagements. This regional team-based approach will also help in balancing workload among jurisdictions that are at different stages of the PFS development process. A key benefit of how we manage our fellows -- where they are constantly sharing learning with each other and therefore up to date on each other's projects -- is that it makes it easy for us to have one fellow support another one during periods of sudden increase in activity, such as during contract negotiations.

A significant challenge in PFS projects is ensuring that government leads stay focused and committed to the project. With budget cycles, elections, and turnover of staff, one of the biggest threats to a viable PFS project is government inertia and decision paralysis. To keep PFS projects on track, the SIB Lab uses two primary project management tools. The first tool is a status update table that the SIB Lab maintains for each project. The status update table tracks major milestones and their subcomponents, records the target completion quarter, the current status on the subcomponent, and a brief narrative explanation of the status. We track six milestones and 21 steps necessary to achieve the milestones. The second tool is a calendar that schedules the PFS development process backwards from

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the final completion goal and tracks key deadlines. Both of these tools assist SIB Lab staff and Government Partners in ensuring that the project is hitting major milestones in a timely manner. They are critical to keeping the project team focused on the major deadlines that, if missed, could cause projects be delayed a full year ----for example, key legislative sessions, budget submission dates, and important events for timely service provision (such as the beginning of the school year for education projects). We will use this same tracking system to hold both sub-recipients and ourselves accountable for meeting program goals in our new projects. One of the key things we use Professor Liebman's time for is breaking through bottlenecks and decision-paralysis that threaten project success. By building strong relationships with senior leaders at an early stage of the project, Professor Liebman is able to get attention from these leaders when their lack of attention threatens to delay the projects. We also schedule Professor Liebman's site visits for times when it is critical to get senior leaders' attention.

We have a proven track record of planning ahead and setting and achieving goals. For example, in Michigan the PFS team realized it would need to obtain legislative authority for the state to enter into PFS contracts and that this authority would need to be in place by early 2015. In early 2014, the PFS team determined that the best opportunity to obtain this authority would be in the June 2014 legislative session. Four months before the legislative session, our fellow and the government lead started meeting with a technical team to draft legislation and a legislative strategy team to determine how to reach out to key legislators. The legislation was recently passed, making Michigan only the third state government to receive legislative authority to embark on a PFS initiative. As another example, in the Massachusetts juvenile justice project we realized that potential investors would eventually need to see evidence of the service provider's track record in achieving results. About six months before engagement with investors, we arranged for the service provider to give the state a list of all of the people it had served in the past several years so that the state could determine how effective the provider had been in preventing recidivism in the past. With this forward planning, the necessary evidence was in place by the time the intermediary needed to engage with investors to raise funding for the project.

Capacity to Process Federal Grants

The SIB Lab's CNCS grant will be processed through the Harvard Office for Sponsored Programs. In FY14, Harvard University sponsored expenditures totaled \$821 million, with \$639 million from federal grant and contract expenditures. Providing grant managers, principal

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investigators and central and school administration officials with the tools and the data to encourage and facilitate the management of sponsored funds is a primary focus of the Office for Sponsored Programs and Financial Administration Systems Solutions, and this includes monitoring sponsored projects for compliance with sponsor terms and conditions, University policies, and federal regulations and standards. In addition to central university support, the SIB Lab receives support for financial management from the Harvard Kennedy School Taubman Center's full time financial manager.

d) Organizational Commitment to PFS Beyond Grants

We established the SIB Lab three years ago because we are committed to generating learning about ways that governments can use the PFS model to foster innovation with their social spending. We are fully committed to continuing this work beyond the project period. As we described in detail above in the description of our capacity building activities, our assistance model is designed to create permanent capacity for governments to do additional PFS projects after our engagement concludes. We accomplish this by transferring models and written products, by training staff, and by incorporating the permanent government employees who take over the projects after our fellows conclude their work in our network of fellows, encouraging them to participate in an on-going basis in our weekly learning phone calls and other training activities. We have a proven track record of accomplishing this. The permanent government employees who have taken over the PFS projects in New York State and Massachusetts are full participants in our network of fellows, and both states have moved forward to develop additional projects after the initial ones we helped them with. We also continue to provide these states with technical advising from Professor Liebman and our other senior technical staff when needed.

Leadership and Team

A critical component of our technical assistance model is hiring and training talented fellows to serve on the ground in our partner governments. Through the experience of our past competition, in which we rapidly hired six new fellows and doubled the size of the Lab, we have learned how to manage growth and conduct training and onboarding for new fellows. This has allowed us to attract and develop top talent with the skills to manage projects through to completion.

To ensure a pool of highly-qualified applicants, the SIB Lab conducts its technical assistance application process in the fall and begins its hiring cycle for new fellows between the months of January-March, when students are beginning to prepare for their transition out of graduate school. Over the last two years, top graduates have joined the SIB Lab from the Harvard University and

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Brown University MPP programs, Duke and Harvard MBA programs, Yale Law School, and the Yale Master's in international and develop economics program. Potential fellows are interviewed by both the SIB Lab team and by the government leads to whom they will report, and hiring decisions are made jointly with our partner governments.

a) Proposed SIB Lab Team

The proposed SIB Lab team is based on our existing staff, with some additional fellows to be recruited. The SIB Lab is located within the Taubman Center for State and Local Government at the Harvard Kennedy School. The Director of both the SIB Lab and the Taubman Center is Professor Jeffrey Liebman. In addition to Professor Liebman, the SIB Lab is staffed by an Executive Assistant Director, a Senior Statistician, three Assistant Directors and a team of fellows and data analysts to support project development. Government Partners and their Fellows will also receive support from the Taubman Center staff, including the Executive Director, a full-time Financial Manager, and administrative staff.

Gloria Gong, Executive Assistant Director

Gloria Gong joined the SIB Lab in 2014 after graduating from Yale Law School. While in law school, she worked as a consultant for the Connecticut Judicial Branch conducting an evaluation of their Mortgage Foreclosure Mediation Program. She also worked for the Massachusetts Department of Early Education and Care on the agency's early education initiatives. Prior to law school, Gloria worked in China at the Yale China Law Center on rule of law projects in areas from criminal justice to judicial reform. In addition to acting as Executive Assistant Director of the SIB Lab, she is also serving as the fellow for Connecticut's PFS project and has therefore experienced our technical assistance and capacity building model directly. As executive assistant director, Gloria leads the team of fellows, coordinates the twice-weekly telephone check-ins, plans training sessions, and manages our relationships with funders. Gloria will manage the process of selecting new government partners through the nationwide competitions.

Avi Feller, Senior Statistician

Avi Feller is a doctoral student in the Harvard Statistics Department, where he applies statistical methods to questions of public policy. He is helping develop rigorous and robust evaluation methodologies for SIB projects. Prior to Harvard, Avi served as Special Assistant to Office of

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Management and Budget Directors Peter Orszag and Jack Lew and was a research associate at the Center on Budget and Policy Priorities. Avi earned an MS in Applied Statistics as a Rhodes Scholar at the University of Oxford and holds a BA in Political Science and Applied Mathematics from Yale University.

Assistant Directors

Innovation Fellows will work directly under experienced Assistant Directors. Each Assistant Director will supervise up to five Innovation Fellows, allowing regional teams to easily collaborate and manage workload. We will staff the two assistant director positions for this project from among our three assistant directors.

Ryan Gillette, Assistant Director

Ryan Gillette is currently working with the Chicago Mayor's Office to develop a city-level PFS project. Previously, he was a the SIB Lab's Innovation Fellow for the Massachusetts Executive Office of Administration and Finance where he helped launch the Commonwealth's Social Innovation Financing initiatives. Prior to his work with Administration and Finance, he worked at the National Bureau of Economic Research on the final evaluation of HUD's Moving to Opportunity voucher study and with the federal Office of Management and Budget on healthcare cost forecasting. He holds a BA in Economics and Russian from Middlebury College and a Masters in Public Policy from the Harvard Kennedy School of Government.

Tyler Jaeckel, Assistant Director

Tyler Jaeckel is working in the Colorado Governor's Office of Policy and Research and the Denver Department of Strategic Partnerships. Tyler recently received a JD from New York University Law School and an MPP from the Harvard Kennedy School. He has worked in various levels of government, including the Office of Mayor Michael Bloomberg, the New York City Department of Small Business Services, the Senate Banking Committee, and the Executive Office of the President. He is originally from Colorado and is a Phi Beta Kappa graduate of Northwestern University.

Scott Kleiman, Assistant Director

Scott Kleiman is assisting Illinois with its social impact bond initiative. Scott graduated in 2013 with an MBA from the Fuqua School of Business at Duke University, where he was a Fuqua Scholar.

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At Duke, Scott helped found the CASE i3 Initiative on Impact Investing and served as its student co-chair. In 2012 Scott was as a summer associate with Bain & Company, where he analyzed infrastructure investment needs for the City of Atlanta. Prior to graduate school, Scott led strategic planning and managed the CEO's office at Ceres, a national nonprofit organization partnering with institutional investors to advance corporate sustainability practices. Scott graduated cum laude from Middlebury College in 2006 with a BA in Political Science.

Fellows

A full-time innovation fellow will be hired to serve each of the SIB Lab's state and local partners. Most of our fellows are recruited from public policy schools where they have received training in benefit cost analysis, evaluation design, management strategies, and negotiation techniques. When we hire fellows with other educational backgrounds, Jeffrey Liebman and Avi Feller give them mini-courses in benefit-cost analysis and evaluation design. All fellows receive a two-day intensive PFS-specific training course and then participate in weekly learning phone calls. Innovation fellows are part of our highly collaborative team that encourages skills building and knowledge-sharing. As of July 2014, nine innovation fellows are spread across the ten state and local governments that we serve (one fellow is splitting his time between the City of Denver and the State of Colorado). The SIB Lab will retain or hire ten fellows for the government partners served as part of the CNCS grant.

Data Analysts

For each project, the HKS SIB Lab budgets up to six months of programmer time to assist each of our state and local government governments with data analysis. Our data analysts work closely with our innovation fellows to help match administrative data sets, establish historic performance trends and identify target individuals to be served by pay-for-success projects. In cases where state and local capacity for data analysis is low, we have the ability to do the data analysis in Cambridge. We maintain a secure data facility for analyzing confidential data and two data analysts, Kristina Tobio and Emily Tisdale who work with the data.

Kristina Tobio, Assistant Director, Taubman Center

Kristina Tobio has worked at the Taubman Center for State and Local Government for over seven years, first as a senior research assistant and currently as the Center's assistant director. She has extensive experience managing research projects and providing research support -- including data

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gathering, cleaning, and analysis as well as writing, editing and fact checking -- for academic papers, policy briefs, newspaper and magazine articles, and books. She has also co-authored a number of academic publications. Before coming to the Taubman Center, she worked as an analyst at an economic consulting firm. Kristina will support the fellows with data analysis tasks and also coordinate our knowledge sharing activities, including maintaining our website.

Emily Tisdale, Research Assistant

Emily Tisdale is a research assistant and data analyst at the Harvard Kennedy School, where she has worked on issues of disability insurance, labor force participation, and behavioral responses to taxation. Emily has also assisted several states with data analysis on their PFS projects. Prior to coming to the Kennedy School, Emily worked in strategy consulting for Oliver Wyman Financial Services and IBM Global Business Services. She holds a BA from Princeton University in French and Economics. She will continue to support the fellows with data analysis tasks.

Senior Technical Advisors

For each project, the HKS SIB Lab provides additional funding for senior technical advisors from local universities and/or other qualified senior experts to consult on specific substantive issues where our team needs additional expertise. Engaging local technical advisors also helps build sustainable capacity for our governments at the senior technical level.

b) Senior Leadership

Jeffrey Liebman, Director

Jeffrey Liebman is the Malcolm Wiener Professor of Public Policy at the John F. Kennedy School of Government, Harvard University and the founder of the HKS SIB Lab. An economist by training, Liebman brings to this project scholarly expertise in the design of social programs, significant field experience establishing and implementing large randomized evaluations of social programs, experience in government, including extensive work on performance-related issues, and specific expertise gathered in the last three year leading the SIB Lab's efforts to provide technical assistance and capacity building to 10 governments around the country.

Liebman has spent much of his career designing and implementing data collection strategies for large multi-year randomized evaluations of government programs and policies. Liebman and his coauthors spent 12 years working with HUD to design and implement the evaluation of the Moving to

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Opportunity voucher experiment -- a 5-city study with a sample size that was over 4000. In another study, Liebman and coauthors designed and implemented a randomized experiment with 14,000 low and moderate-income taxpayers to test whether the matching of savings could increase the fraction of tax refunds that were saved rather than spent. In a more recent randomized experiment, Liebman and a coauthor tested whether providing information about Social Security to older workers affects retirement decisions. Liebman also teaches and has written on methodological issues in program evaluation such as the benefits of combining qualitative and quantitative research methods and different strategies for building causal evidence on the impact of government programs.

Liebman has twice served in the Executive Office of the President. From 1998 to 1999, Liebman worked at the National Economic Council as Special Assistant to the President for Economic Policy, coordinating the Clinton Administration's Social Security reform technical working group. From 2009 to 2010, Liebman worked at the Office of Management and Budget, first as Executive Associate Director and then as Acting Deputy Director. In addition to responsibilities for a wide range of budget and policy issues, Liebman focused on federal management policy, leading the Administration's efforts to reform the federal procurement system as well as its program evaluation initiative. He also contributed to efforts to improve the federal workforce and increase the use of performance measurement.

After returning to Harvard from OMB, Liebman spent the fall of 2010 studying the social impact bond model and produced a research paper for the Center for American Progress that quickly became the standard U.S. reference for people trying to understand the promise and limitations of social impact bonds. During this period he also helped OMB develop the President's February 2011 budget proposal around pay for success. For the past three years, Liebman and his SIB Lab team have been offering pro bono assistance to state and local governments developing pay for success projects with the goal of learning how governments can foster social innovation and improve the results they obtain with their social spending. Liebman has been involved in every phase of this work from briefing top government decision-makers to determining the optimal weights for the instrumental variable estimators used to estimate treatment effects, and from helping government plan legislative and communications strategies for the rollouts of their initiatives to building benefit-cost models to determine project feasibility. Liebman travels to visit each partner government at least twice a year and often many more times than that. In July 2014, Liebman was named director of the Kennedy School's Taubman Center for State and Local Government, providing him with institutional support from Harvard to expand his hands-on approach to conducting research about how to improve the

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results that governments achieve.

Budget Adequacy & Cost Effectiveness

a) Budget justification

We propose a total budget of \$3,864,360 over the course of the grant to be made of up \$1,932,172 of CNCS grant funds and \$1,932,188 of matching funds raised by the SIB Lab. These funds will allow the SIB Lab to provide full-time technical assistance to ten Government Partners, to be selected in two national competitions, each of which will yield five Government Partners. While the budget covers the competition, the hiring of new SIB Lab Fellows, and some central office costs, the bulk of the funds go directly to the 15-months of technical assistance the SIB Lab will provide to Government Partners to assist them in assessing PFS feasibility and completing project development.

Our proposed budget reflects the SIB Lab's three years of experience in providing technical assistance to state and local governments implementing PFS projects. The cost and time estimates are based upon our concrete data on what resources are needed to help a government develop a PFS project and what those resources cost. Our core package of services costs \$325,000 per government served on average for a 15-month period, although experience shows that some projects require more resources than others. For this reason, we have presented the typical costs per project but expect to spend more on some projects than on others.

83% of our budget is allocated for services that go directly to identifying and serving our state and local government partners. 17% is set aside for administrative overhead as allowed by the program announcement. Of the \$325,000 that go to an individual project, the majority of funds are spent on project personnel who provide technical assistance as described below. While we are open to providing a government partner with a direct grant and having them hire directly, our experience has been that all of our partners to date prefer the SIB Lab to coordinate the hiring of technical assistance staff for the projects.

In terms of timing of expenditures, our budget proposes to spend \$606,284 in the first year, \$1,809,721 in the second year, and \$1,448,355 in the third year. Because nearly all of our expenditures occur during the period of intensive engagement when the innovation fellow embedded in the partner government and because it will take six to nine months to select each cohort of government and to hire the fellows, the first year costs reflect only a few months of intensive engagement and are therefore lower than the costs in the other two years. The second year has the highest costs because there is a period of time during which both cohorts are being served simultaneously. We expend very few resources during the planning through sub-recipient selection

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phase of the project -- just two months of the director's time and six months of the executive assistant director's time.

1) Director, Professor Liebman: We pay for three months each year of Professor Liebman's time for SIB Lab's work. While he spends about half of his time running the SIB Lab, the other three months are contributed. Professor Liebman directly supervises the Assistant Directors and Fellows, participates in frequent calls with government partners, visits each Government Partner at least twice a year, participates in public appearances (for example, with legislators and senior executive branch officials), and provides senior technical advice on policy and analytical questions ranging from obtaining legislative authority to detailed financial modeling. Professor Liebman's time is charged at his regular monthly Harvard salary and his fringe is charged at the Harvard 24.7% fringe rate for faculty.

2) Executive Assistant Director, Gloria Gong: We allocate nine months of the EAD's time to managing the SIB Lab and providing direct assistance to Government Partners. The EAD coordinates weekly learning calls between fellows and with senior SIB Lab leadership, advises Fellows on their work, and provides direct assistance to the Government Partners. The EAD leads the national competition and Innovation Fellow selection processes, drafting and distributing the notices, drafting competition criteria, collecting responses, and supervising the review process. The EAD also coordinates the SIB Lab's knowledge sharing activities and the independent review process. The EAD's salary is based on her current \$75,000 annual rate and assumes she will receive a raise to \$85,000 in the second year commensurate with how other SIB Lab assistant directors are paid after they have been with the organization for a year. The EAD's fringe is charged at the negotiated Harvard rate of 32.2% for regular fringe benefits and 10.4% for vacation fringe benefits for exempt staff.

3) Assistant Directors: Each of the two Assistant Directors coordinates a team of five Innovation Fellows. Regionally based, the Assistant Directors provide direct mentoring, training, and day-to-day support to the Innovation Fellows and their Government Partners. As experienced senior fellows, the Assistant Directors guide the work in each of the five states they oversee. The Assistant Directors also work on the independent review process. The assistant director for Cohort A is paid at \$7110 per month. To take into account cost of living adjustments, the salary of the Assistant Director for Cohort B is increased to \$7288 per month. The Assistant Director benefit rate is 26.6%, and includes the 17.6% Harvard rate plus the health insurance premium paid to AllSource.

4) Innovation Fellows: Each of the ten SIB Lab Innovation Fellows is embedded with a partner government and provides day-to-day technical assistance on the PFS project. The Innovation Fellows

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are full time and will be hired through a hiring process in close conjunction with the government partners they will be serving. Cohort A Innovation Fellows are paid \$6320 per month on average (with some variation depending on their level of experience and the cost of living in the locations in which they reside). Cohort B Innovation Fellows are paid \$6478 per month on average. The Innovation Fellow benefit rate is 26.6%, and includes the 17.6% Harvard rate plus the health insurance premium paid to AllSource.

5) Statistician: The SIB Lab statistician is experienced in program evaluation and data analysis. He assists ADs and Innovation Fellows on complex technical questions as project needs demand. We have budgeted for \$30,000 a year of statistician services, based on 857 hours of work at \$35 per hour.

6) Data analysis/research assistants: The budget sets aside half a month of a contracted data analyst or research assistant's services per month of PFS project. We have found that most projects need resources for data matching and analysis to identify target populations, establish historical baselines, determine how to measure project outcomes, and inform the evaluation design. Research assistants are billed at \$7000 a month, including both salary and fringe. We do not separate out the salary and fringe components in the budget because the break down between salary and fringe varies depending on whether we hire the research assistants as Harvard employees or as consultants.

7) Senior Technical Advisor: The budget allocates an average of one month of a senior technical advisor services for each project for years 2 and 3 of the grant. We have found that projects often require advice from a senior subject matter expert, an evaluation design specialist, or a local expert who can provide guidance on the project. The \$33,000/month that is budgeted reflects both salary and fringe and the exact breakdown between the components varies depending on whether we hire the senior technical advisors as consultants or through their universities.

8) Flexible Funds: The budget sets aside a total of \$15,000 per Government Project over the course of the grant. We have found that projects often hit barriers that require only a small amount of funds solve, but that our partners often lack the flexibility to to make the necessary expenditures. By using flexible funding, the SIB Lab is able to expedite the project progress. For example, a project may need to hire legal experts to supplement the government's legal counsel. This budgeted amount reflects the average amount we spend per project and will be allocated across governments according to project needs.

9) Travel for Fellows' training: Each year we convene Innovation Fellows to facilitate collaboration, knowledge sharing, and train Fellows on cutting-edge issues in PFS. The budget allocates for approximately one trip per year per fellow, recognizing that some fellows may travel to

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Cambridge for additional trainings or to assist with training Government Leads. For each trip we budget \$633 for airfare, \$125 for lodging, \$50 for meals, and \$25 for ground transportation.

10) Travel for Director and EAD direct assistance: The budget allocates funds to allow the ED or EAD to make an average of two visits to each partner government. These trips provide important direct assistance to senior levels of government leadership and often serve as catalysts in the PFS process. For each trip we budget \$633 for airfare, \$125 for lodging, \$50 for meals, and \$25 for ground transportation.

11) Travel for ADs: The budget allows for an average of two trips per engagement for each project by the AD to visit the governments in their portfolios. These trips allow the AD to provide important training, convene government leaders, direct project development, and share valuable experience. For each trip we budget \$633 for airfare, \$125 for lodging, \$50 for meals, and \$25 for ground transportation.

12) Criminal history checks: Per the CNCS requirements, the budget allocates funds to perform criminal background checks on employees who have not already had them. We budget these at \$20 per background check.

13) Administrative fee: administrative overhead as allowed by the program announcement, at 20% of the total direct costs of the proposal. This represents a reduction from Harvard's negotiated federal indirect cost rate of 69%.

Most of the salary numbers in the budget increase annually to reflect cost of living adjustments.

b) Match Resources

We have commitments in hand for \$1,290,523 of the total \$1,932,188 of match funds we must raise, including over \$1 million in cash. So we have significantly exceeded the required 10 percent of first year expenditures.

1) A generous donor to the Harvard Kennedy School has contributed \$500,000 for use by the SIB Lab on this project. 2) The JB & MK Pritzker Family Foundation has committed \$584,640 to the SIB Lab for this project. 3) The Harvard Kennedy School Taubman Center for State and Local Government has committed \$205,883 in in-kind donations to the SIB Lab.

We are in discussion with several additional funders about providing the remaining matching funds. Additionally, we have discovered that once our national competitions identify specific geographic locations and policy areas for projects, we are often able to raise funds from local philanthropies or philanthropies with particular policy interests.

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Clarification Summary

Program related questions:

1) How does SIF funding complement the SIB Lab's existing private, academic and philanthropic funding sources? Can you explain how SIF funding would allow the SIB Lab to engage in activities it otherwise would not be able to support? SIF is careful not to supplant private, philanthropic dollars but instead to leverage and supplement.

Response:

The existing resources of the SIB Lab come from three grants from the Rockefeller Foundation, one grant from the Laura and John Arnold Foundation, and one grant from the Dunham Fund. These grants have allowed the SIB Lab to serve 8 states and 2 cities over the past few years. However, these resources will all be exhausted within the next six months and will be used entirely to provide services to our existing governmental partners. Thus, the SIB Lab's ability to hold a new national competition and to provide services to additional state and local governments in the future depends entirely on our ability to raise new funds. In anticipation of the CNCS SIF grant opportunity, we have been working to raise the new funds necessary for us to continue to operate going forward. The SIF-provided opportunity to leverage the new funds has been an important selling point in our efforts -- which so far have resulted in the commitments from a Harvard Kennedy School donor and from the Pritzker Children's Initiative that we have submitted as the matching funds in our SIF grant application.

We would like to further emphasize that our operating model means that all resources we raise translate directly into incremental activity. There are many more cities and states requesting our assistance and that offer exciting opportunities than we can serve with the resources we have. Every time we raise \$350,000 we serve another jurisdiction.

There is another way in which the SIF funding will assist the Lab in securing new funding. In our prior national competition, launched in partnership with the Rockefeller Foundation, we had resources in place from Rockefeller to serve four governments. But once it became clear that we had more than four impressive proposals in hand from governments, the Arnold Foundation and the Dunham Fund offered the support we need to serve additional governments. We expect a similar phenomenon to occur this time around, where, once we have concrete proposals in hand, we are able to interest donors who are committed to a specific geographic area or project area in supporting our efforts.

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2) What priorities will the SIB Lab consider in selecting the sub-recipients? The application states that one of the lab-wide priorities for the next 3 years is to make the PFS model succeed in new issue areas, in new geographic and governing environments, and in places with different amounts of existing provider capacity. However, it was not clear how this was incorporated into selection criteria of sub-recipients. Will the SIB Lab prioritize new issue areas and geographies for PFS? If not, how will this goal be accomplished?

Response:

In section B.6 of our proposal we explain that our national competition selection criteria will include "a) the potential to advance the PFS field by applying the model in new areas or policy fields; b) a high level of commitment to the Pay for Success model among top decision makers in the jurisdiction, including the interest and capacity to continue PFS work into the transactions stage after SIF-funded technical assistance has ended; c) the scope for the project to be scaled up if successful; d) the availability of innovative service providers with evidence-based or promising interventions; and e) a focus on previously underserved populations or geographic areas. The criteria will be weighted equally."

The key question we face in conducting a national competition is how to generate a critical mass of high-quality, innovative applications. In order to encourage the greatest number of interesting and exciting submissions, we will take two steps. 1) In our competition announcement, we will give examples of promising new areas, such as educational projects with longer timelines to payoff, collective impact or place-based models, initiatives targeting opportunity youth, programs targeting preventative health outcomes, projects that require multiple levels of government to collaborate, and cohort-based approaches to collaboration. We hope that the combination of clear guidelines and concrete examples will elicit proposals from applicants that might otherwise not have applied. 2) We will also continue our ongoing efforts to encourage parties interested in PFS projects to develop projects in promising areas. Each month the SIB Lab fields dozens of inquiries on how to develop PFS projects from interested state and local governments, non-profit organizations, philanthropies, investors, and providers. For example, we have recently spoke with the Corporation for Supportive Housing on the use of PFS to expand supportive housing for individuals with disabilities in response to the Supreme Court's Olmstead ruling, we are talking with Living Cities on exploring the application of PFS to cohorts of cities, and are investigating a possible federal partnership around

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Homeless Veterans. These conversations lay the groundwork for strong responses to our national competition. But based on our prior national competition, we are quite confident that we will receive interesting proposals from applicants whom we had no idea were looking at the PFS model.

In order to ensure geographic breadth in our applicant pool, we will not only publicize our competition announcement through our website, partner organizations, and organizations such as the National Governors Association but will distribute the notice through the SIB Lab's mailing list of over 500 individuals who have expressed interest in the SIB Lab's work and PFS programs. Many of these individuals represent state and local government agencies, legislatures, or providers in areas of the country without current PFS projects.

Budget:

1. Please confirm the total requested amount from CNCS.

Response: \$1,932,172.

2. Pay for Success applicants must demonstrate that a minimum of 80% of the federal funds requested are used for sub-grants or services provided to sub-recipients. Please designate the line items that include these costs with the header: "sub-recipient services or sub-grants".

Response: Since the entirety of the services included in our budget go directly to states as technical assistance, we attempted to designate each line item on our budget other than Harvard's Federally approved indirect cost rate as "sub-recipient services." As mentioned in our application, 83% of our budget is for services that go directly to government partners. However, eGrants began to delete or move each relabeled line item, so we stopped the relabeling process. Please assist us in returning the budget to its original condition and labeling all line items other than the indirect cost rate as "sub-recipient services." Alternatively, we are happy to submit an excel spreadsheet or otherwise meet this requirement.

3. Personnel Fringe: Please provide a rate for each item included in the fringe benefits.

Response: We stopped editing the budget when it appeared to be causing the program to delete line items. The personnel fringe should be as follows:

Assistant Directors and Innovation Fellows: Total 26.6%. 5% retirement benefits; 3% workers compensation, disability insurance, and life insurance; and 18.6% health insurance.

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Executive Assistant Director and Executive Director: Harvard has released the final fringe benefits percentages (included in original proposal) but not the final breakdown by category for FY15 yet. It will likely closely mirror the FY14 breakdown, which is as follows:

Executive Director: Retirement benefits 18.13%, Health benefits 7.57%, Other benefits (including worker's compensation, unemployment compensation, noncontributory life insurance, and short-term disability insurance) 1.12%.

Executive Assistant Director: Retirement benefits 20.49%, Health benefits 12.34%, Other benefits (including worker's compensation, unemployment compensation, noncontributory life insurance, and short-term disability insurance) 2.76%, vacation fringe rate 10.6%.

These rates are determined by Harvard and are not within the control of the SIB Lab.

4. Indirect Cost Rate: Please provide a copy of the most recent approved Federal Indirect Cost Rate agreement.

Response: Submitted to the email address to which we submitted our letters of matching funding. Please let us know if we should submit the Cost Rate agreement via another channel as well.

5. Source of Funds: Please include all matching funds under Source of Funds including all in-kind contributions. For in-kind contributions, please list service, good or function.

Response: We stopped editing the budget when it appeared to be causing the program to delete line items. The in-kind contributions listed from the Harvard Kennedy School Taubman Center for State and Local Government are primary staff salaries and facilities and should be listed as services and goods.