

Narratives

Executive Summary

The Sorenson Global Impact Investing Center Pay for Success Lab (PFS Lab) believes that innovation, growth and development in the PFS sector will positively impact public and private sector approaches to addressing some of the most costly and significant problems we face as a society. The unique combination of expertise at the PFS Lab, consisting of the University of Utah's Policy Institute, the Sorenson Global Impact Investing Center, and Salt Lake County, create an innovative PFS Lab structure. The PFS Lab is committed to reducing barriers to the PFS and social innovation space through technical assistance, open and transparent processes, and knowledge sharing. The guiding objective is to expand access to and capacity for success in social finance ventures.

The PFS Lab will grow the social innovation sector by facilitating PFS deals across the Western United States with an initial focus on the intermountain west. Through academic and market research as well as through technical support, the PFS Lab is committed to progressing the impact of community-based solutions that have compelling evidence of improving the lives of underrepresented communities in the areas of youth development, economic opportunity and healthy futures within the region. The Lab anticipates working primarily with service providers and the surrounding community therein, but also anticipates working with select governmental jurisdictions for PFS viability, macro level policy, impact assessment, and governmental support.

The PFS Lab will be focused on the secondary phase of the PFS feasibility assessment wherein service providers are solicited through an open and competitive process, followed by an in-depth, data driven review of programmatic feasibility, organizational capacity, financial literacy, and overall PFS readiness for selection. Following the selection of a service provider, further technical assistance and support -- including back office, staff capacity building, impact measurement and reporting, governance, and general business support -- will be provided throughout the process to ensure successful development into PFS ready organizations. In addition to the technical assistance provided to the selected organizations, the PFS Lab will provide similar scaled support and feedback to service providers that were not selected in the open and competitive scoring process in order to grow the number of PFS ready entities.

An explicit goal of the PFS Lab is to create and maintain a web-based database of information, service providers, data analysis results, and other key PFS elements in order to ensure a neutral, non-biased

Narratives

academic leader in knowledge sharing for the growth of the sector.

The PFS Lab consists of three distinct programmatic pillars: policy and data analysis, private impact investing, and government relations. The Policy Institute at the University of Utah is the PFS Lab's key policy and data analysis operator and will focus on four areas of data analysis services: demographics, economics, survey research and design, and public policy and training. Impact investing services will be provided by the Lab to non-profit service providers in three key areas: impact analysis, sustainability analysis and support and scalability analysis and support. In conjunction with partners such as Third Sector Capital Partners, the Lab will also provide governments with services in the following three areas: macro/sector research and data analysis, PFS service provider selection and support, and funding for internal staffing capacity to manage PFS transactions.

An area of local innovation that will provide continued access to PFS programs is development from the State of Utah and Salt Lake County. Since executing on the preschool transaction, Salt Lake County has been actively cultivating what is likely the largest and most diversified pipeline of new PFS transactions of any jurisdiction in the country. Interventions in the areas of recidivism, homelessness, mental health, asthma, cancer and pre-term births are planned. Salt Lake County is also helping to evolve the broader financial model by seeding a catalyst fund to serve as credit enhancement for commercial and philanthropic investors to fund transaction expenses associated with the targeted interventions.

The PFS Lab team at present consists of the following individuals: James Sorenson, founder and benefactor of the SGII Center at the University of Utah and chairman of the PFS Lab's Advisory Committee; Dr. Taylor Randall, Dean of the David Eccles School of Business at the University of Utah; Natalie Gochnour, Director of the Policy Institute, Associate Dean of the David Eccles School of Business and chief economist to the Salt Lake Chamber of Commerce; and Lewis Hower, Executive Director of the SGII Center and the PFS Lab. Additional staffing and capacity will be added to the Lab to provide for the incremental growth necessary to execute on the growth of the PFS sector.

The PFS Lab has an annual budget of approximately \$2.4 million per year to deliver feasibility as well as service provider support to in aggregate at least 15 organizations per year. The PFS is requesting \$1.2 million per year in support from the Corporation for National and Community Service in

Narratives

response to the FY 2014 Social Innovation Fund Pay for Success Grants Competition. The PFS Lab has pledged matching support from a diverse set of supporters for a truly unique public private partnership to grow the PFS sector.

Program Design

The Sorenson Global Impact Investing Center Pay for Success Lab (PFS Lab) believes that innovation, growth and development in the PFS sector will positively impact public and private sector approaches to addressing some of the most costly and significant causes to date. The PFS Lab's unique combination of best-in-class programs in three critical pillars -- policy and data analysis, private impact investing, and government relations -- will create a platform that results in meaningful innovation in the PFS field.

Theory of Change:

The PFS Lab's theory of change is that an increase of PFS-ready service providers who are incorporating data driven analysis, critical investment readiness, and more business-like systems will result in the successful execution of financially viable PFS social innovations that address costly social problems.

The three execution elements to test and deliver on this theory of change that specifically address the key areas of the PFS Competition include:

1. Government procurement reform will not be successful without a strong pipeline of PFS-ready service providers in place to deliver evidence-based interventions with rigor and fidelity. Therefore, to drive the sustainable development of the field, technical assistance (TA) needs to be provided not just to governments but also to service providers.
2. The evaluation field at large requires investment in capacity for both academic research institutions and evaluation firms to learn how to provide data specific and PFS-informed evaluation design and operationalization of empirical methods in the social services arena. The information will form the basis for a knowledge sharing platform for broader adoption of PFS capacity and success.
3. The PFS Lab will leverage its current expertise in impact investing to broaden its influence in the social impact financing field and create a new hub of PFS feasibility activity and TA in the Western United States--both building the local capacity of service providers and state and local governments and drawing new evidence-based interventions to the region.

Program Focus:

Narratives

Through the above core focus areas the PFS Lab will grow the social innovation sector by facilitating PFS deals across, but not limited to, the Western United States with an initial focus in the Intermountain West. Through academic and market research as well as through technical support, the PFS Lab is committed to progressing the impact of community-based solutions that have compelling evidence of improving the lives of underrepresented communities in the areas of youth development, economic opportunity and healthy futures within the region.

The PFS Lab will primarily direct its attention and resources on the provision of support to city, county and state jurisdictions with a demonstrated interest in engaging in PFS programs. The PFS Lab will be focused on the secondary phase of the PFS feasibility assessment wherein service providers are solicited through an open and competitive process, followed by an in-depth, data driven review of programmatic feasibility, organizational capacity, financial literacy, and overall PFS readiness for selection. Following the selection of a service provider, further technical assistance and support -- including back office, staff capacity building, impact measurement and reporting, governance, and general business support -- will be provided throughout the process to ensure successful development into PFS ready organizations.

In addition to the technical assistance provided to the selected organizations, the PFS Lab will provide similar scaled support and feedback to service providers that were not selected in the open and competitive scoring process in order to grow the number of PFS ready entities.

It is the express goal of the PFS Lab to conduct at least three service provider specific competitions in the first year of this grant engagement. It is anticipated that for each of the competitions that are focused on the areas of PFS service provider readiness there will be, on average, seven to ten responses per assessment. The services that are provided to each of the individual organizations will vary based upon the needs and operational capacity determined on a case-by-case basis.

Knowledge Sharing:

An explicit goal of the PFS Lab is to create and maintain a web-based database of information, service providers, data analysis results, and other key PFS elements in order to ensure a neutral, non-biased academic leader in knowledge sharing for the growth of the sector. For optimal operation, the PFS Lab will research and develop standardized templates, resources, and deal structures in order to drive

Narratives

repeat application and customized facilitation of projects with competitive service providers. The long-term intent is to increase sector-wide capacity for participation in and creation of PFS models.

Objective:

The PFS Lab is committed to reducing barriers to the PFS and social innovation space through technical assistance, open and transparent processes, and knowledge sharing. The guiding objective is to expand access to and capacity for success in social finance ventures. Breaking this objective down, the PFS Lab will address obstacles of high expense, remedial field knowledge, still-developing capacity, and inexperience. The Lab will offer facilitation, technical assistance, and evaluation for reasonable costs, and will provide free public access to a database of all project research and conclusions. The database will advance knowledge of valid and reliable outcomes, building field expertise, solution-based capacity, and outcome-oriented structure. Furthermore, the PFS Lab will attract capital to high-performing organizations that are seeking to strengthen, grow, and sustain effective solutions for challenges facing low-income communities.

Description of Activities - Provision of Technical Assistance Services:

Through direct program capacity, sub-grantee and partnership relationships, the PFS Lab will strengthen and diversify the pipeline of governments and nonprofit organizations prepared to engage in PFS projects. The unique combination of expertise at the PFS Lab, consisting of the University of Utah's Policy Institute, the Sorenson Global Impact Investing Center, and Salt Lake County, create an innovative PFS Lab structure. The PFS Lab's three main focus areas for the growth of the PFS sector are: data driven policy research, organizational capacity building using an impact investment approach, and effective alignment of incentives and collaboration with government. These core areas are the main areas of TA support and services that the PFS Lab will provide to grow the sector and will be described in detail below. The Lab anticipates working primarily with service providers and the surrounding community therein, but also anticipates working with select governmental jurisdictions for PFS viability, macro level policy, impact assessment, and governmental support.

Key Programmatic Contract Partner -- Third Sector Capital Partners, Inc.:

As a national leader in the fields of Pay for Success and Social Innovation Financing, Third Sector Capital Partners, Inc. has the necessary skills to support the PFS Lab in providing Technical Assistance and Capacity Building to Service Providers interested in PFS readiness for governments located within

Narratives

the intermountain and broader west. Third Sector has been involved in designing, responding to and/or constructing many of the current PFS undertakings across the United States, and has agreed to form a working partnership with the PFS Lab to lend its expertise. Specific contracted support services are built around a complementary partnership for sharing Third Sector's deep PFS operational acumen and deal construction experience as well as its broad networks of governments, data evaluators and service providers to enrich the nation's transactional PFS pipeline. It is our understanding that Third Sector intends to focus on the provision of technical assistance and support to city, county and state governments that are interested in developing PFS understanding and execution at the governmental level. Both organizations feel that the complementary nature of the PFS Lab's focus on the service providers and their feasibility and capacity therein presents an opportunity to work directly with Third Sector and other organizations while maintaining the open and competitive process for seeking and selecting sub-recipients and service providers.

Data Driven Policy Research:

The Policy Institute at the University of Utah (PI) is the PFS Lab's key operator focused on the provision of data driven policy research services to sub-recipients and the broader sector at large. The PI develops and shares economic, demographic and public policy data, research and analysis that helps business and community leaders make informed decisions. Working at the intersection of business and government, the PI helps individuals, elected officials, and other community leaders make data-driven decisions. Because of this expertise, The PI is ideally positioned to provide data support for social impact investments. The PFS Lab anticipates that a majority of the services provided around the data analysis and policy work will be provided through a combination of services performed, in-kind support, and fee-for-service work from subject matter experts.

The Four Key Areas of Data Analysis Services Provided by the PFS Lab include:

1. Demographics -- Population estimates and projections, neighborhood indicators, and special studies. The institute serves as the lead entity in Utah for the Bureau of the Census State Data Center Program and is home to the Utah Community Data Project. This demographic database is the starting point for having access to baseline information as well as understanding the efficacy and economics of PFS interventions. Similar program structures can be duplicated and accessed in other intermountain west geographies for PFS data. Deliverables include: baseline demographic data, correlation analysis for projected interventions, resultant impact analysis to determine success of potential PFS service

Narratives

providers, projected result research reports, and other deliverables as determined necessary.

2. Economics -- Economic impact analysis, economic forecasts, and special studies. The PI produces an annual Economic Report for the State of Utah. The PFS model is at the intersection of intervention and economic outcomes; this is a key differentiator in determining the success of an intervention. Deliverables include: economic impact analysis, economic feasibility studies, analysis of absorptive capacity for PFS intervention, monitoring and evaluation of PFS models for key economic indicators, and other deliverables as determined necessary.

3. Survey Research and Design -- Expertise in the design, structure, and execution of business and community surveys and focus groups that provide the necessary data for informed evaluation and decision making. The PFS will focus a majority of its efforts in the area of survey research and design to perform the series of questioning and data gathering to evaluate PFS viability at the service provider level. Deliverables include: feasibility studies for service providers and for government programs, specific program confirmation analysis, pre and post participant feedback studies, RCT and structured experimental design of data analysis for PFS implementation, and other deliverables as determined necessary.

4. Public policy and training -- Leadership and training, special studies and specialized analyses in housing/construction, energy, education, tourism and other areas of expertise. The PFS Lab has a significant element of training and capacity building that will be provided to Sub-Recipients, service providers, and other institutions in and around the PFS sector. Key deliverables include: sector-specific training, FAQ and tool-kits for service providers and governments on the PFS space, curating and implementing public forum gatherings around focus areas for innovative PFS applications, and other deliverables as determined necessary.

Organizational Capacity Building Through an Impact Investing Approach:

The PFS Lab will provide capacity building and technical assistance services utilizing its expertise in the impact investing and social innovation space to create scalable, sustainable and highly impactful organizations. The SGII Center and its team will be the primary engine for the technical assistance aspects of this body of work. The SGII Center has global and local experience in working with non-profit and for-profit organizations at all phases of company maturity. The PFS Lab anticipates that a majority of the services provided around the organizational capacity building work will be provided through a combination of services performed, in-kind support, and fee-for-service work from subject matter experts.

Narratives

The Three Key Areas of Impact Investing Capacity Services Provided by the PFS Lab include:

1. Impact Analysis -- Developing, improving upon, and implementing impact feasibility studies and models for a specific service provider's theory of social change. In a two-step approach the PFS Lab will evaluate organizations that respond to specific competitions to determine if their impact will facilitate a PFS structure and need. The second step process will be determined based upon selection for PFS progression or not to improve upon the impact aspects of the model as well as measurement and validation therein. Deliverables include: baseline impact assessment, measurement and reporting process creation, impact sensitivity analysis, impact tracking pre, during, and post a PFS offering, and other deliverables as determined necessary.
2. Sustainability Analysis and Support -- Analyzing, evaluating, and supporting service providers' project-specific sustainability as well as overall organizational sustainability to determine PFS readiness. In a two-step approach the PFS Lab will evaluate organizations that respond to specific competitions to assess if their current sustainability model for both financial and capacity constraints will facilitate a PFS structure and need. The second step process will be determined based upon selection for PFS progression or not to improve upon the business model, financial health, KPIs and growth plans. Deliverables include: sustainability analysis and reports, service provider feasibility studies, analysis of absorptive capacity for PFS intervention, financial and business model support for creating a path to sustainability, and other deliverables as determined necessary.
3. Scalability Analysis and Support -- Analyzing, evaluating, and supporting service providers intervention specific scalability as well as overall organizational scalability to gather the necessary information to evaluate PFS readiness. In a two-step approach the PFS Lab will evaluate organizations that respond to specific competitions to determine if their current operational model around impact and the ability to execute a successful intervention is scalable to the point necessary to facilitate a PFS structure and need. The second step process will be determined based upon selection for PFS progression or not to improve upon the business model, unit economics, MIS and data systems, staffing, governance, and growth plans. Deliverables include: scalability analysis and reports, service provider feasibility studies, analysis of absorptive capacity for PFS intervention, financial and business model support for creating scale, and other deliverables as determined necessary.

Government Support Services:

The PFS Lab is uniquely positioned to provide support, access and experience around the alignment of

Narratives

incentives and government support -- the critical element in the success of PFS models. The key areas of focus are centered on the service provider selection and support as well as strengthening the community at large to implement PFS transactions. While the PFS Lab anticipates that their main focus will be service provider oriented, it is envisioned that there will be some macro/sector research conducted for government organizations from expertise at the Policy Institute. Through its relationships with local city, county, and state governments the PFS Lab will provide support to other jurisdictions in the intermountain west as well as leverage access to support service provider and PFS model support. The PFS Lab anticipates that a majority of the services provided for government support will come in the form of in-kind support, fee for service work from subject matter experts, and through the provision of assistive funding to government entities to offset internal employee cost for execution of PFS feasibility and implementation. The PFS Lab and its established system of contractor support will be able to provide business support, oversight, and assistance to any team members working directly with Sub-Recipients and in the field on an as-needed basis. This program offering is where the PFS Lab anticipates a strong partnership and working engagement with Third Sector Capital for complementary support.

The Three Key Areas of Government Support Offerings Provided by the PFS Lab include:

1. PFS Service Provider Selection and Support -- In an open and competitive process the PFS Lab anticipates working with governments and other PFS intermediaries to structure, implement, select and support high-performing nonprofit service providers for PFS transactions in sector areas that are pre-determined prior to the engagement of PFS. A complete description of the selection process is provided below. Deliverables include: structuring and execution of three to five sector service provider competitions per year, on average seven to ten respondents to the request, establishment of process and procedures for selection, implementation, and post capacity support reporting, the services outlined in the sections above, and other deliverables as determined necessary.
2. Government Program Funding Support -- In a departure from existing "Lab" models, the PFS Lab feels that it is a better utilization of resources to provide funding and support services directly to offset the existing expenses of an at the time employed government employee or to support the direct hire of long-term staff member. The purpose of this support would be to provide the internal government capacity, with established relationships, understanding of process, domain expertise and project management skills rather than placement of external and temporary fellows. The key deliverable for this service provision is a financial agreement and scope of work with the government entity to

Narratives

execute on the technical assistance and transaction support necessary to deliver on successful PFS transactions.

3. Macro Sector Economic Analysis -- The PFS Lab will provide macro level economic and impact analysis with the expertise at the Policy Institute that will support the informed decision making process of governments engaging in PFS models. Deliverables include: economic impact analysis, economic feasibility studies, analysis of absorptive capacity for PFS intervention, monitoring and evaluation of PFS models for key economic indicators, and other deliverables as determined necessary.

Open and Competitive Procurement Process:

The PFS Lab's procurement policy is structured in a way that establishes standards and guidelines for the procurement of goods and services within the Lab. The overall purpose of the procurement process is to provide a basis for obtaining a product or service that will satisfy a particular need at an economical cost, all while inviting maximum reasonable competition.

A Request for Proposal (RFP) will be issued at the request of a partner or following being engaged by a government or other intermediary. The RFP will request that respondents propose the best method for servicing the identified need. The RFP will include:

1. Scope of work and requirements
2. Time frames of work to be performed
3. Scoring and evaluation criteria
4. Funding and cost restraints

Prior to release, the RFP will be approved by the Office of Contracts and Procurements, the Director of the PFS Lab, the PFS Lab Advisory Committee, and the University of Utah's Office of General Counsel. The requesting agency may submit a list of potential committee members who will join the PFS Lab's Advisory Committee to make final selections. The Office of Contracts and Procurements will assemble the supplemental selection committee and inform each committee member. Once the committee members are selected they may not have any communication with any respondents or prospective respondents, except during an official pre-proposal conference, an oral interview, a product demonstration, or on-site visit in an official capacity.

Each member of the committee shall submit a conflict of interest and disclosure statement before participating on the committee. Committee members shall not discuss or disclose any information associated with the RFP, and shall not make copies of any submitted proposals.

Narratives

Evaluation factors established for the RFP shall be specifically designed and clearly set forth in the RFP. The weight attached to each evaluation factor must also be clearly set forth in the RFP. While evaluation factors may be set up in many different ways, it is recommended that they are divided into three main categories:

1. Technical capability, prior experience, and the program design approach for meeting requirements
2. Competitiveness and innovative nature of the service provision
3. Managerial capability

The Selection/Advisory Committee is bound to evaluate submitted proposals exclusively on the criteria and attached weight set forth in the RFP. This policy ensures that each respondent is afforded a fair and equitable basis of evaluation.

All proposals, except for non-responsive proposals, received will be scored by each member of the Committee on score sheets provided by the Committee chair. The criteria will be based on information described in the RFP. The rank of each proposal will be based on how the committee members scored the respondents. The top-ranked respondent based on all scoring criteria will be recommended to the proper signing authority for award. If oral interviews or on-site visits are necessary, committee members that attended all of the additional meetings may re-score the proposals if desired.

The Committee chair will notify the Executive Director of the PFS Lab of the committee's recommendation. A copy of the master scoring sheet and individual score sheets will be maintained by the Lab. The PFS Lab will give notice of each award to each respondent. Once a recipient is selected, the recipient will have full access to the database created by the PFS Lab and the Policy Institute as well as the work and research of Lab fellows. The PFS Lab will facilitate a strong relationship between service-providers, government entities, and investors to ensure sustainable financial planning. The PFS Lab will work closely with recipients to outline an appropriate budget and transitional financing in order to move from feasibility to implementation and sustainability.

The PFS Lab will develop an agreement with each recipient that outlines regular reports of progress, resources allocated, and maintenance of the respondent's original proposal. Additionally, the PFS Lab

Narratives

will mandate that each recipient maintain transparency in all research and conclusion and will contribute such data to the PFS Lab's public database as well as participate in all CNCS reporting and evaluation processes for compliance in the grant process.

Description of Activities - Proposal for knowledge sharing:

Based at the University of Utah, the PFS Lab is guaranteed access to the high resource standards of progress and inquiry at one of the nation's top research institutions. Aggregating the research of the Policy Institute and the findings of sub-recipients and project outcomes, the PFS Lab is developing a public database. New and existing data is collected into this database, creating an open resource to expand the capacity and knowledge of the PFS and broader social innovation sector. The database also creates and offers universally applicable templates for broader use in the PFS space. In addition to making these templates available for future projects, service-providers, and governments, the PFS Lab is shaping activities to spread the knowledge, including webinars, workshops, and academic coursework. The entire database is a public resource and the PFS Lab will support the CNCS, the PFS Competition, and other intermediaries and service providers to share information as well as be able to access data.

The PFS Lab also anticipates working with its established partners like Third Sector Capital to support the knowledge sharing and adoption of the database and other tools that will be co-created. Through academic outlets and public forums, the Lab will continue to collect field-advancing data and maintain transparency in knowledge dispersion. The PFS Lab will also focus on inspiring participation in the social innovation sector, especially through student populations. Partnering with Institutes of Politics and other student centers, the Lab will sponsor regular public forums on university campuses to share research findings and PFS success locally and across the national and global spectrum of social innovation. Findings will be shared with government leaders, investment managers, and academic administrations to tap into all facets of social progress.

Further knowledge sharing deliverables will engage faculty, advisors and key university employees to conduct publishable and verifiable academic research on the PFS space, including: models, interventions, experiment design, and underlying projects independently. Through this transparent sharing of research and outcome findings, the Lab will reduce the barriers to entry for participation in and creation of PFS models.

Narratives

Description of activities - Proposal to identify innovative, effective solutions:

The PFS Lab is at the forefront of innovation and the development of effective solutions and adoption of models in the sector. While the "Lab" approach is not a novel idea, the time delay and previous deal specific experience have lead to a practitioner-driven approach of developing innovation and efficacy. This combined with a diverse gathering of sector, geography, investing, intervention, and student innovation will provide for the natural innovative nature of the University to thrive.

A critical aspect to the operation and execution of the PFS Lab is not only in its staff but also in the innovation, access, and education capacity building elements that our student participation creates. A strong trend among students to favor business and investments with social value, combined with the innovative thinking of administration and donor support is what created the SGII Center. The investment and creation of the Center has allowed the University of Utah to be at the forefront of impact investing. Students groups work on real world projects to vet economic viability while making investment recommendations. Those types of hands on training experiences are a differentiator for the school and its programs.

Furthermore, trailblazing at the Policy Institute has set the impact framework and economic analysis expertise to examine new areas of PFS innovation that are addressing underserved or not yet incorporated areas into PFS models. Such focus areas include: aging, hospice care, refugee populations, and other yet to be included areas of PFS exploration.

An area of local innovation that will provide continued access to PFS programs is development from the State of Utah and Salt Lake County. Since executing on the preschool transaction, Salt Lake County has been actively cultivating what is likely the largest and most diversified pipeline of new results based financing transactions of any jurisdiction in the country. Salt Lake County is also helping to evolve the broader financial model by seeding a catalyst fund to serve as credit enhancement for commercial and philanthropic investors to fund transaction expenses associated with the targeted interventions.

Salt Lake County is also actively raising a "pre-development" fund whereby investors would pool their capital to simultaneously fund multiple Salt Lake County PFS transactions. The innovative pre-

Narratives

development fund model allows investors to achieve a portfolio effect of diversifying risk across a broad range of interventions; provides a sustainable way to access capital and philanthropic markets before projects are fully constructed; and minimizes transaction times/costs because it eliminates the need to intermittently raise capital to pay for project construction and program evaluation.

Salt Lake County's transaction pipeline includes the following interventions (many of which are expected to be subsequently scaled up to the State level thanks to strong support from key State legislative leaders) that address youth development, economic opportunity and healthy futures:

1. Nurse Family Partnership: A maternal health program that introduces vulnerable first-time parents to maternal and child health nurses. It allows nurses to deliver the support first-time moms need to have a healthy pregnancy, become knowledgeable and responsible parents, and provide their babies with the best possible start in life. The program is relatively inexpensive but has been shown to have a demonstrable reduction on the rate of pre-term births and other negative outcomes, which come at a great cost to health care providers and taxpayers. Salt Lake County has a pilot program in place with strong longitudinal data.
2. Recidivism: Salt Lake County is hoping to reduce high rates of recidivism by partnering with the private sector and a service provider that will assist the targeted group of high-risk, high-need individuals in transitioning successfully back into society and decreasing the likelihood of recidivating. The intervention would ideally include access to housing, employment training, GED or higher education opportunities, and case management to ensure their success. In addition, because Salt Lake County has jurisdiction over the behavioral health of its residents, quality mental health and substance abuse treatment will be critical components of any program aimed at reducing the number of individuals cycling in and out of the criminal justice system.
3. Mental Health Crisis: Individuals who suffer mental health crises often end up in the emergency room or in jail, at great cost not only to the individual but to society more broadly. The average cost of an ER visit is approximately \$2,000; the cost of law enforcement responding to an average crisis call is approximately \$120; the cost for paramedics to respond to such a call is approximately \$240; the cost to the County jail for booking and housing an inmate are also substantial. In light of that, Salt Lake County has partnered with the Utah Neuropsychiatric Institute to provide mental health crisis

Narratives

outreach services to individuals in mental health crisis. Through the program, individuals are diverted from the ER and the jails to a receiving center where peer specialists and licensed clinical social workers can help the individual through the crisis. Using a PFS model, the County would broaden the reach of these services to help more people avoid costly visits to emergency rooms and jails by providing more centers and outreach teams that can intervene more effectively and at a much lower cost.

4. Healthy Homes: Salt Lake County is one of the pilot locations for the Green and Healthy Homes Initiative, which seeks to identify and address in-home environmental factors that lead to poor (and costly) health outcomes for individuals in the community. Many homes in at-risk communities contain hazards that contribute to poor health, including mold, lead paint and other health hazards that can lead to acute health care problems that are expensive to treat. The program allows professionals to enter the homes and solve problems (typically at only nominal cost), which leads to decreased incidences of health care emergencies and contributes to the overall well-being of these individuals.

5. Homelessness: Salt Lake County is targeting a reduction in the population of chronically homeless individuals in the community through a holistic, intensive, case management program that focuses on treatable substance abuse and mental health issues. Salt Lake County has identified a population of the most frequent users of costly social services in the community and is hoping to pay for the intervention out of future cost savings.

6. Cancer Screening / Navigation: Salt Lake County is in discussions with the American Cancer Society (ACS) regarding a promising early cancer screening and navigation program. The ACS is currently administering the program to low-income, at-risk individuals in Alabama to allow for screenings to be done to determine the extent of the individual's cancer, and then provide navigation services to the individual for further care. Using a results based financing model, Salt Lake County hopes to partner with ACS to provide those services to a similar demographic group within Salt Lake County to detect and treat cancer early and avoid many of the higher costs associated with advanced stages of cancer.

As the listed pipelined projects progress, the PFS Lab hopes to offer continued support, furthering the

Narratives

PFS field in Salt Lake and the broader region. As a permanent institution, the PFS Lab at the SGII Center will continue to provide technical assistance for future sub-recipients and partners on an indefinite timeline to progress the social innovation sector.

Description of Activities - Work Plan and Deliverables:

STAFF

The PFS Lab requires a full staff and administration to execute its vision and goals. The Lab will operate under a board of advisors, a director, a database expert, and several research fellows.

The Board of Advisors will advise the foundation, organization, and management of the PFS Lab. The board will be composed of individuals who bring valuable insight in the areas of business, management, and social investment. The board differs from a board of directors in that this board has no voting rights, management responsibilities, or fiduciary obligations within the Lab, but is instead tasked with advising and counseling the Lab in various matters.

The director will be responsible for the day-to-day management of the center, making all decisions under the advisement of the Board of Advisors, along with creating a vision and goals for the Lab to accomplish. The director will oversee the proposal, selection, and execution of each PFS deal in which the Lab is involved, ensuring fidelity to the PFS model and the success of each transaction.

The database expert will be responsible for tracking the research and findings compiled throughout the deals with which the Lab participates. This expert will ensure that all the information gathered is available and accessible to management and staff of the PFS Lab. The database will, however, be central and transparent to ensure that the Lab's findings and research are readily accessible and available to other organizations seeking more information on the PFS model and the various deals executed by the PFS Lab in order to inform their own potential implementation of a PFS deal.

The research fellows are individuals who have extensive knowledge in the various fields associated with Pay for Success, including investing, finance, social policy, statistics, and law. The fellows will work collectively to provide technical assistance to the community or government that is attempting to implement a PFS deal. In partnership with the PI, the fellows provide personal attention to the community, assessing its individual needs and obstacles, and implementing methods to overcome those obstacles and position the community to be successful in its PFS deal.

Narratives

WORK PLAN

The PFS Lab will create an open and transparent competition that will seek sub-recipients who are interested in participating in PFS deals and seek the technical assistance services from the PFS Lab. The competition will be in accordance with the SIF grant requirements, along with the Lab's corresponding policies and procedures (listed in this application). The outcome of the competition will be securing one or more organizations that will then receive technical assistance from the Lab. Each year, four to six service providers will be selected by the Lab.

Phase I (1-2 months)

Within each of the selected sites, the research fellows, with the assistance from the PFS Lab staff, will produce high-level cost-benefit analyses, prioritize issue areas within the organization (if multiple interventions are being considered), and assess readiness of key stakeholders and available local human capital. The organization's model and business practices will be assessed to determine likelihood of success in a PFS deal. The study will also extend to the potential target community to ensure ample and satisfactory support and resource availability.

Phase II (1 month)

This phase will focus on completing the steps outlined in Phase I. The feasibility study will be concluded, and the resulting deliverable will be a detailed assessment of feasibility of an actual PFS implementation, as well as the service providers' ability to deliver services effectively and efficiently. The assessment will also include investor interest, savings potential, and data availability for each issue area. Once that is complete, and feasibility is determined, the PFS Lab would create evaluation methods and matrices to ensure the program can be tracked and documented in the Pay for Success Knowledge Database.

Since the PFS Lab takes a collective approach, the time required to complete the technical assistance for each sub-recipient is between two to three months, depending on many factors, including readiness of sub-recipients, size of desired PFS deal, and availability of necessary data and information.

TIMELINE

Narratives

Annually, the Lab will hold five competitions to secure five sub-recipients that will receive technical assistance services.

Competitions:

Competition for Sub-Recipient #1: Opens January 1; closes January 31. Recipient is selected by the second week of February.

Competition for Sub-Recipient #2: Opens March 1; closes March 31. Recipient is selected by the second week of April.

Competition for Sub-Recipient #3: Opens May 1; closes May 31. Recipient is selected by the second week of June.

Competition for Sub-Recipient #4: Opens July 1; closes July 31. Recipient is selected by the second week of August.

Competition for Sub-Recipient #5: Opens September 1; closes September 30. Recipient is selected by the second week of October.

Feasibility/Landscape Analysis:

Sub-Recipient #1: The feasibility and landscaping analysis will begin immediately upon selection of the sub-recipient, no later than February 14, and will last two to three months, depending on above factors, until May 15 at the latest.

Sub-Recipient #2: The feasibility and landscaping analysis will begin immediately upon selection of the sub-recipient, no later than March 15, and will last two to three months, depending on above factors, until June 15 at the latest.

Sub-Recipient #3: The feasibility and landscaping analysis will begin immediately upon selection of the sub-recipient, no later than June 15, and will last two to three months, depending on above factors, until September 15 at the latest.

Narratives

Sub-Recipient #4: The feasibility and landscaping analysis will begin immediately upon selection of the sub-recipient, no later than August 15, and will last two to three months, depending on above factors, until November 15 at the latest.

Sub-Recipient #5: The feasibility and landscaping analysis will begin immediately upon selection of the sub-recipient, no later than October 15, and will last two to three months, depending on above factors, into the following year when the next cycle will begin, likely to end before January 15.

Organizational Capability

The SGII Center at the University of Utah claims a tremendously successful track record in selecting partners and recipients in investment ventures. The Center regularly holds open and competitive processes to choose investing associates and make decisions regarding capital funding. Such decisions have built a record of enormous success both in financial return and social impact. The PFS Lab at the SGII Center has an equally promising track record of successfully advising local and state governments and non-profit service providers on complicated, results-based financing transactions. The Lab leverages its location within a top-tier research institution to bring a diverse set of resources to bear in providing high quality, integrated services to transaction stakeholders. In addition to the feasibility analysis, economic modeling, and program design assistance the Lab provides to its clients directly, the Lab is also able to draw on the strong data analytic abilities of the Policy Institute to provide rigorous and independent program evaluation and monitoring services on the transaction. The Lab is also able to tap subject matter research and data experts from the various colleges across the University to assess target populations, trends, outcomes and the efficacy of interventions, in most cases based on data sets that are uniquely customized and specific to the jurisdiction in which the intervention is being made.

The PFS Lab and its partners were instrumental in assisting Salt Lake County and the State of Utah with structuring, execution, and now implementation of two pay for success transactions in the early education arena. In August 2013, under the leadership of Mayor Ben McAdams, Salt Lake County closed on the second results-based financing transaction in the U.S., in which private capital was used to scale up a high quality preschool program delivering a targeted curriculum to increase school readiness and academic performance among three- and four-year-old children in at-risk communities. As a result of entering kindergarten better prepared, fewer children are expected to need special education and remedial services in from 3rd grade to 12th grade, which results in cost savings

Narratives

for school districts, the State and other government entities. While not a direct beneficiary of special education cost avoidance, Mayor McAdams and the Salt Lake County Council made the investment because they recognized an opportunity to help close an achievement gap for at-risk children in the community that can translate into meaningful savings for the County further down the road (e.g., through savings to substance abuse programs, anti-gang interventions, jails, etc.).

Following Salt Lake County's lead, the Utah State Legislature passed legislation in March 2014 to scale up the program statewide. Janis Dubno, an early education policy expert and a former mortgage-backed securities banker on Wall Street, worked with the State and the County, the selected service providers, and the intermediaries to do the feasibility analysis, economic modeling and program design for both transactions. In addition, James Sorenson, the benefactor of the Sorenson Global Impact Investing Center, played a key role in securing state legislative approval for the state-level transaction and was recently appointed by the Senate President to serve on the Utah School Readiness Board that will negotiate a contract with the private investors memorializing certain key parameters of the program, including size of target population, performance metrics, length of investment, etc.

In addition to the preschool transactions, the PFS Lab has begun providing program evaluation services to Salt Lake County in the early stages of a recidivism reduction PFS transaction. The PFS Lab is drawing from the Public Policy Institute and University faculty in the criminal justice college to guide the County on Utah-specific drivers of recidivism and the most promising areas of intervention. The analysis has so far proven extremely useful to Salt Lake County and the other transaction stakeholders as they are working to design a program that will have maximum impact and be attractive to private investors.

Perhaps the PFS Lab's most crucial local partner, the Policy Institute, is home to the Utah Community Data Project. The Data Project collects, stores and disseminates demographic, socioeconomic and other data about Utah. Data are available for the state, counties, political districts, cities and towns, and neighborhoods. The Data Project is a prime example of the small area data expertise of the institute that can be applied to the measurement component of social impact bonds. The Bureau of Economic and Business Research, which is located within the Policy Institute, has prepared numerous reports and studies that relate to social impact measurement.

Narratives

The PFS Lab has also established other valuable partnerships with capable intermediary entities, such as Third Sector. Third Sector Capital Partners, Inc. is a leading nonprofit advisory firm that collaborates with government, funders, evaluators, and service providers to develop PFS and Social Impact Financing ("SIF") solutions, including Social Impact Bonds ("SIBs"). Third Sector specializes in partnering with local and state governments to conduct PFS feasibility assessments and carry out PFS deal construction. Through this federal grant, Third Sector would collaborate with the PFS Lab to provide Pay for Success feasibility advisory and deal construction and structuring efforts for a multitude of pipeline projects.

Third Sector recently launched the world's largest PFS project in Massachusetts focused on reducing prison recidivism, raising more than \$18 million from multiple funders to support an innovative service provider, Roca. As the initiative's sole intermediary, Third Sector was responsible for structuring all aspects of the project from economic modeling and program design to contract negotiation and fundraising. In its first year of implementation, Third Sector continues to serve as project manager. In addition to Massachusetts, Third Sector is actively constructing two other state-level projects in the country -- a collective impact child welfare project with One Hope United and the Conscience Community Network in Illinois, and a juvenile justice project with Hillside Family of Agencies in New York.

Third Sector also has a strong track record of exploring and developing PFS projects with local governments, especially county-level governments. By Winter 2014, Third Sector is expected to launch a county-level PFS project with Cuyahoga County, Ohio (Cleveland), focused on family homelessness and foster care. With support from local foundations, Third Sector first partnered with Cuyahoga to conduct extensive landscape and feasibility analyses, preparing the county for procurement.

The SGII Center, at the forefront of public-private intersection, has shown a commitment to the PFS space through diverse efforts of social innovation and impact investing. From its founding, the SGII Center has grown the social innovation sector through activities including deal sourcing, data-driven due diligence, preparation of investment memorandums, and sector support for development in fields like healthcare, housing, education, agriculture, sustainable energy, and entrepreneurial livelihood and training. The Center is a leading organization in marketing and academic research as well as the

Narratives

advancement of public policy and issue advocacy. Consistently, the SGII Center has managed successful projects in all areas of engagement in the impact investing and social innovation space.

The University of Utah, within which the PFS Lab operates, has managed several federal grants and has thorough and has complete understanding of federal compliance and attached requirements. When working with sub-recipients, the PFS Lab will provide funding conditionally as project steps are reached and completed. This is not unlike the SGII Center's practices of investments attached to performance and profit metrics. If project activity suffers, funds will not be released until productivity is again attained. Rather than offering financial support on a calendar timeline, the PFS Lab will fund recipients based on project progression. Supplemented with the research and market knowledge of the Policy Institute, the PFS Lab will have the informational and managerial means to accurately and appropriately manage PFS deals.

Leadership and Team

Those holding leadership positions in the PFS Lab have been in the sector for more than 15 years and have collective experience in policy planning, market research, impact investing, social innovation, and academic advancement.

Proposed Team:

James Sorenson, founder and benefactor of the SGII Center at the University of Utah and chairman of the PFS Lab's Advisory Committee, has been a central and leading individual in growth of the PFS and social impact investing space. One of Utah's largest and most influential private investors, James was also central to the New York recidivism deal. He sits on the Utah School Readiness Board and has been pivotal in lobbying for political action in support of PFS progress.

Dr. Taylor Randall, Dean of the David Eccles School of Business at the University of Utah, is also a key member of the PFS Leadership team. Taylor received his master's and doctorate in operations and information management from the Wharton School of Business at the University of Pennsylvania. His research focuses on the economic impact of operational strategies, strategic performance measurement and product variety management. Through both academic influence and research expertise, Taylor is an enormous benefit to the PFS Lab in terms of knowledge sharing and educational partnerships.

Narratives

Natalie Gochmour directs the Policy Institute, the PFS Lab's central source for research generation and data collection. Natalie also serves as Associate Dean of the David Eccles School of Business and chief economist to the Salt Lake Chamber of Commerce. Her business and economic expertise has been an immense resource for the entire Utah community as she has advised several governor's, served as political appointee in the George W. Bush administration, and a deputy to the secretary at the U.S. Department of Health and Human Services. Natalie is vice-chair of Envision Utah, one of the nation's most successful quality growth partnerships. She brings focus and passion of public policies that promote civil society and prosperous future to the PFS space.

The PFS Lab Board of Advisors is made up of seasoned professionals from the academic, public policy, public administration, finance, and impact investing fields. Their collective expertise guides decision making in terms of project proposals, sub-recipient selection, and PFS Lab direction.

Proposed Project Lead:

Lewis Hower is the standing project lead and Director of the PFS Lab. As Executive Director of the SGII Center, Lewis offers expert background in impact investing, social entrepreneurship, fundraising, and finance and operation. Currently, Lewis also serves on the Board of Directors at the Community Foundation of Utah. Prior to the SGII Center, Lewis held managing positions in marketing, finance, and operations, working to develop creative approaches to solving some of the world's most profound social challenges. He has also shown dedication to advancing the social sector by lobbying the government and facilitating public-private partnerships. Leading numerous successful impact investing ventures and other social projects, Lewis is a committed innovator in the social innovation field.

Budget Adequacy & Cost Effectiveness

PROJECT PERSONNEL EXPENSES:

The Executive Director will be responsible for day-to-day operations of the SIB Lab, including tasks such as securing and maintaining partnerships, identifying promising implementation partners, maintaining databases, publishing key findings, and managing the overall structure and framework of the PFS initiatives undertaken by the Lab and its partners. The Executive Director will have at least a Master's degree or better, with Ph.D. preferred, and extensive public policy, public-private partnership, social enterprise, or pay for success experience and be paid \$150,000 per annum.

Narratives

The Data and Policy Director will be responsible for overseeing data collection and analysis, in addition to serving as a liaison between service providers, sub-recipients during the implementation, technical assistance, and data collection phases of the pay-for-success initiatives the PFS Lab supports. The Data and Policy Director will have a deep background in statistics, data aggregation and analysis, ideally in the public policy or non-profit sectors and be paid \$80,000 per annum.

The Research Associate will be responsible for providing deep research and analysis in support of the Data and Policy Director and Managing Director. Tasks will include database input and upkeep, statistical analysis, and other supporting tasks. The Research Associate will ideally have 3-5 years of experience in investment research, political research, or another related field. Master's degree preferred and will be paid \$65,000 per annum.

Senior Staff will include both full time Directors of the Sorenson Center for Impact Investing and the Directors of the Policy Institute at the David Eccles School of Business at the University of Utah. These senior staff will dedicate roughly 1/3 of their time in supporting the work of the PFS lab through dedicated research, data aggregation, and policy work.

PERSONNEL FRINGE BENEFITS:

Personnel and Fringe Benefits for full-time employees include health insurance (10% of pre-tax salary), payroll taxes (8%- FICA/SUTA/worker's comp), and retirement support (10%). Personnel and Fringe benefits will account for 28% of pre-tax salary and these figures are based off of state and national averages.

STAFF TRAVEL:

Senior staff will travel to support implementing partners including Third Sector Capital, sub-recipients, service providers, and other partners in the technical assistance the PFS Lab provides. Expected travel will be for two staff members once per month (or four times per quarter) to ensure adequate support and technical assistance is being delivered to selected implementation partners.

Travel costs have been determined using State GSA travel allocation numbers with an allowance for fluctuation in seasonal airfare and other costs therein. Additional travel allocation has been included to cover travel to annual gatherings hosted by CNCS

Narratives

EQUIPMENT:

The PFS lab forecasts no significant equipment purchases.

SUPPLIES:

Supplies will include basic office materials (e.g. business cards, paper, etc.), which are not expected to exceed \$1,000 per year. Other materials will include computers for the senior staff at an estimated cost of \$1,500 each, in addition to smaller purchases such as printers, phones, and fax machines, all of which are expected to be below \$1,000 each.

CONTRACTUAL AND CONSULTANT SERVICES:

Feasibility Analysis - Sorenson Center for Global Impact Investing.

The Sorenson Center will be engaged to conduct feasibility studies based on the established process the PFS Lab uses to engage with its partners and intervention service providers. The SGII Center will conduct initial analysis on potential pay-for-success models and their applicability to certain regions and sectors, in addition to analyzing the landscape for major potential service providers, the measurable data that leads to outcomes, PFS investment structures, and an analysis of the potential public and private funders that could facilitate the intervention.

Further, once selected service providers are engaged, the PFS Lab and the SGII Center will provide capacity to make them better candidates for PFS financing, and continue to work with the non-selected providers to offer support in different areas.

These studies are expected to be conducted over 2 to 3 months at a cost of ~\$75,000 per study. The PFS lab expects to engage the SGII Center for 4 to 6 studies annually.

Pay For Success Knowledge Database - The Pay for Success Knowledge Database will be created to house the comprehensive amount of data that the PFS Lab and its partners will create, aggregate, and publish. The PFS Knowledge Database is designed to be an industry-leading resource that will allow for key learnings, best practices, and the standardization of metrics to be easily sharable and transparent across the industry.

TRAINING:

Narratives

Training will be implemented annually to the staff of the Policy Institute, who will be responsible for additional data input, analysis, and policy research publications at a cost of \$30,000 per annum.

EVALUATION:

In order to ensure compliance with CNCS, evaluation consultants will be subject to quarterly audits, evaluation reports, and data tracking. The estimated cost is \$18,000-\$20,000 per quarter, or roughly \$75,000 per year.

OTHER COSTS:

Program Partner (Third Sector Capital) - TSC will be engaged to assist in deal structuring for competitions, RFPs, and sub-recipient technical assistance. This work will include engaging with cities, counties, and other governmental organizations that the PFS lab works with to identify and select service providers and intervention partners, assistance in organizing the competition to select the PFS investees, and for general knowledge sharing from their existing work.

Criminal History Checks - Criminal History Checks will be conducted on all employees of the PFS lab, all employees of the Sorenson Center for Global Impact Investing, all employees of the Policy Institute at the University of Utah, all sub-recipients, and all employees at sub-recipient organizations.

Sub-Recipients - Sub-recipients will include all selected non-profit implementing partners from the RFP process. Each engagement will vary by cost but will be an average of \$75,000 each and 4-6 non-profits are expected to be selected each year.

FAQ Data Toolkit Sharing - The PFS Lab plans on delivering FAQ and tool-kits for service providers and governments on the PFS space, curating and implementing public forum gatherings around focus areas for innovative PFS applications, and other deliverables as determined necessary. These deliverables are estimated at a cost of \$80,000 and include 4 toolkits per year at a cost of \$10,000/each, 2 public forum gatherings a year at a cost of \$20,000 each.

Annual PFS Practitioner Gathering and Conference - The PFS Lab will also host an annual practitioner and stakeholder conference in Salt Lake City, UT each year. The conference tentatively planned for June 2015 will include notable intervention service providers, city, county, federal, and

Narratives

state government officials, foundations, family offices, and other practitioners. This gathering will be 2.5 days and nearly 200 attendees are expected, totaling an estimated cost of \$50,000.

University F&A Administrative Cost - the University of Utah has a predetermined overhead allocation cost of 20% of the funds received both from the grant and matching cash resources. This administrative overhead is institutional cost coverage of utilities, accounting and administrative support, policy and procedure support and any additional compliance support as requested.

SOURCES OF MATCH FUNDING:

Cash

\$125,000 - Salt Lake County

\$120,000 - Jim Sorenson

\$50,000 - University of Utah

\$750,000 - Additional Private Capital Sources

Additional sources are expected to come primarily from the large concentration of community reinvestment act regulated banks in Utah and greater mountain west. CRA Banks are a natural fit for this funding as the capital must be deployed into organizations that serve low-to-moderate income areas, or to areas that achieve positive social outcomes such as job creation or access to education. Further, the Sorenson Center already maintains strong relationships with these banks, working with several of the largest in the state on a variety of initiatives. Additionally, the Sorenson Center's affiliate organization, the University Venture Fund (an \$18.2M student-run venture fund), is comprised of nearly 80% CRA dollars furthering the strong existing relationship with these banks.

In-Kind

\$100,000 - Community Foundation of Utah services

\$42,000 - Office Space

\$75,000 - Legal Counsel

The Community Foundation of Utah

The Community Foundation of Utah (CFU) is a leading provider of capacity building to non-profit organizations across the state. CFU will provide pro-bono consulting support to the underlying non-

Narratives

profits the PFS lab works with, host events, and provide free office space, among other things. These pro-bono services are valued at \$100,000.

Office Space

The PFS Lab is in advanced discussions with several partners to secure pro-bono office space. This office space would be valued at roughly \$3,500 per month or roughly \$42,000.

Legal Counsel

The PFS lab is currently exploring offers for pro-bono legal services in the value of \$75,000 per annum.

Edits to the Budget we couldn't adjust in the eGrants system as are follows:

Budget Subsidiary 2. Section 1.

Health: \$42,745

FICA: \$34,196

Retirement: \$42,745

Budget Subsidiary 2. Section 2.

Indirect Costs of Federally Approved: \$280,254

Budget Subsidiary 3. Section 1.

Health: \$44,030

FICA: \$35,224

Retirement: \$44,030

Budget Subsidiary 3. Section 2.

Indirect Costs of Federally Approved: \$283,814

An email with attached screenshots illustrating these edits was sent additionally to National Service Hotline <nationalservicehotline@mailps.custhelp.com>

Clarification Summary

Program-related clarifications

Question 1. On page 6, the application says: 'The Lab will offer facilitation, technical assistance, and evaluation for reasonable costs'. Could you expand on how the PFS Lab will fund its TA provision? SIF

Narratives

does not allow its grantees to charge its sub-recipients for services funded by SIF funds, though contribution to matching funds is allowed.

Answer 1. The PFS Lab will not charge the grantees or sub-recipients for TA support provided under the programming of funds as directly relates to the SIF support. The Lab does intend to have a fee-for-service model with other partners, programs and client-based engagements; however for the purposes of this application and SIF funds received, there is not a fee-for-service model associated. The SGII Center has a long standing precedent for client engagement through fee-for-service contracts and this is something that the Lab will employ in certain cases for the expansion of a scalable and sustainable business model for the future.

The TA support work that the PFS Lab will provide to the service provider community as well as to impact and evaluation support will fall under the grantee and sub-recipient relationships respectively. The Lab intends to fund the TA provision with the resources received from SIF as well as through matching contributions from affiliated partners. The Lab has already received letters of interest to participate in collaboration with the operations of the Lab through responding to requests for proposals in an open and competitive process. In certain situations where there is feasibility and other data analysis driven work with organizations that have the capacity to support the funding needs of the Lab, we will entertain donation/matching support in a cost recovery based model.

We acknowledge that there are many cost restrictions in the space particularly at the service provider level of the engagement. This is something that the SGII Center, the Policy Institute, and the University at large, have been designed to address through our innovative student support model; where we are able to balance the cost equation through the use of student research and analysis support. Our multiplicative/leverage ability for human capital is something that is unique to our approach and is something that we feel is critical to the efficient scaling of the sector.

Question 2. Can you provide more information on the relationship between the PFS Lab and Salt Lake County? In the application, such as on page 14, references are made to capacity within Salt Lake County, but it is unclear how this directly supports the proposed activities under this application.

Answer 2. Salt Lake County is an early adopter of the pay for success model and is actively working on

Narratives

the most ambitious and diversified pipeline of PFS deals of any jurisdiction in the country. Salt Lake County has requested support from the PFS Lab on those transactions, including data and program evaluation services through the Policy Institute in each targeted area of intervention, program design and transaction structuring, as well as technical support to service providers selected through a competitive process. Salt Lake County sees in the PFS Lab an opportunity not only to facilitate PFS transactions but also to build evidence-based service delivery capacity in the community more broadly. Salt Lake County's policymakers and senior staff are committed to widespread implementation of pay for success and we expect to work closely with the County on many additional transactions. As one of the leading jurisdictions in pay for success in the country, and as big promoters of the PFS Lab, we also anticipate that the County will help make valuable connections between the PFS Lab and thought-leading policymakers in state and local governments around the region. It is not anticipated that there will be any employment of or specific tasks that the County will be leading. They are a significant leader from a thought leadership and advisement perspective but there is not direct "capacity" provided by them other than an already existing pipeline of programs and projects that the PFS Lab can support.

Question 3. Given the hiring needs described in the application, such as for the Data and Policy Director, can you explain who is currently on staff at the PFS Lab and what specific plans are made for hiring additional staff? Can you provide a timeline for when staff that will work on the project will be hired?

Answer 3. The current staff of the PFS Lab consists of members of the Sorenson Global Impact Investing Center and the Policy Institute at the University of Utah. The SGII Center and the Policy Institute have deep expertise in the subject matter and plan to continue to build capacity at a staffing level as projects and budget allow. The SGII Center currently has three full time staffers with 30+ student associates. The Policy Institute currently has 25 university faculty members with varying research and analysis mandates and plans to expand to 32 within the next 36 months. Not all of these faculty members are PFS Lab support but approximately one third of them are available for support as projects are developed at the Lab. The key member of the policy institute team is its leader Natalie Gochnour who is involved directly in our work to date and will facilitate the hiring, management and time allocation of the additional policy and data team members for the PFS Lab. The additional key senior staff of the Policy Institute was described in the original application.

Narratives

The PFS Lab feels strongly about, and has been able to execute on, engagements in the PFS field ranging from diligence and support for investors seeking to invest in offerings to working with legal and regulatory entities to develop new PFS investment structures. One of the key purposes for the application to this Grant program is to provide the additional capacity necessary to expand the expertise and team functions necessary to deliver on an exponential growth strategy for the sector instead of the slow linear growth seen to date.

The PFS Lab is currently in discussion with four candidates for the Executive Director role with two of the four being intentionally "delayed" based upon waiting for the results of this grant process and available budget. The candidates all have experience in government economic development, management and budgeting; as well as significant private sector experience in the both traditional and non-traditional investment sectors that includes the formation and execution of investment driven public-private partnerships. The following roles are the key hires that are in process at the present moment and timing will be driven largely based upon the pace with which funding increases.

* Executive Director (to be hired by year end 2014): The Executive Director will be responsible for day-to-day operations of the SIB Lab, including tasks such as securing and maintaining partnerships, identifying promising implementation partners, maintaining databases, publishing key findings, and managing the overall structure and framework of the PFS initiatives undertaken by the Lab and its partners. The Executive Director will have at least a Master's degree or better, with Ph.D. preferred, and extensive public policy, public-private partnership, social enterprise, or pay for success experience.

* The Data and Policy Director (to be hired by January 2015): will be responsible for overseeing data collection and analysis, in addition to serving as a liaison between service providers, sub-recipients during the implementation, technical assistance, and data collection phases of the pay-for-success initiatives the PFS Lab supports. The Data and Policy Director will have a deep background in statistics, data aggregation and analysis, ideally in the public policy or non-profit sectors.

* The Research Associate (to be hired by June 2015): will be responsible for providing deep research and analysis in support of the Data and Policy Director and Managing Director. Tasks will include database input and upkeep, statistical analysis, and other supporting tasks. The Research Associate will ideally have 3-5 years of experience in investment research, political research, or another related field. Master's degree preferred.

Narratives

Budget-related clarifications

Please confirm the total requested amount from CNCS.

The total amount requested is \$1,150,000 per year for three years totaling in a \$3,450,000 aggregate request.

The budget needs to be entered in eGrants by line item. The subsidiary budget function needs to be utilized to gain an accurate representation of the expenses included. We recognize that you were unable to complete this during the application period so if you need technical assistance in completing this task, please call our Help Desk at 800-942-2677.

Our budget has been entered to the extent possible based upon the system. We have called the help desk and have been instructed to submit screen shots of the errors and cells that exist.

Edits to the Budget we couldn't adjust in the eGrants system as are follows:

Budget Subsidiary 2. Section 1.

Health: \$42,745

FICA: \$34,196

Retirement: \$42,745

Budget Subsidiary 2. Section 2.

Indirect Costs of Federally Approved: \$280,254

Budget Subsidiary 3. Section 1.

Health: \$44,030

FICA: \$35,224

Retirement: \$44,030

Budget Subsidiary 3. Section 2.

Indirect Costs of Federally Approved: \$283,814

An email with attached screenshots illustrating these edits was sent additionally to National Service Hotline <nationalservicehotline@mailps.custhelp.com>

Narratives

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".

Please see the submitted budget information and original excel template for the allocation of the federal funds to be spent on execution of the PFS work. We do not plan to charge any fee for the services provided to service providers that come from the federal funds received. We will allocate dollars and track the programmatic spend accordingly.

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.

Please see the submitted budget information and original excel template for the information that we know to date. We are still in the process of raising additional funding support that will be based upon the amount that we are seeking to match.