



## 2016 Social Innovation Fund Pay For Success Competition

*Reviewer Orientation 2: What is Pay for Success, and what is the SIF Pay for Success Program?*



# Setting the Stage



- Challenge: In Denver, each year, 250 chronically homeless individuals cycle through systems of incarceration, hospital emergency rooms, homeless shelters, detox facilities, and other social services.
  - Status quo cost: ~ \$29k/year/person, or ~ \$7.25M
- Potential Solution: Evidence-based intervention like Supportive Housing can significantly reduce incidents of homelessness and improve outcomes.
  - Intervention cost: \$20k/year/person, or \$5M
  - But where does Denver find this extra money?
- Problem: How to get from challenge → solution?

# What is Pay for Success?

A contracting model that ties funding for an intervention to its true impact in the community.

## 1. PFS Agreements

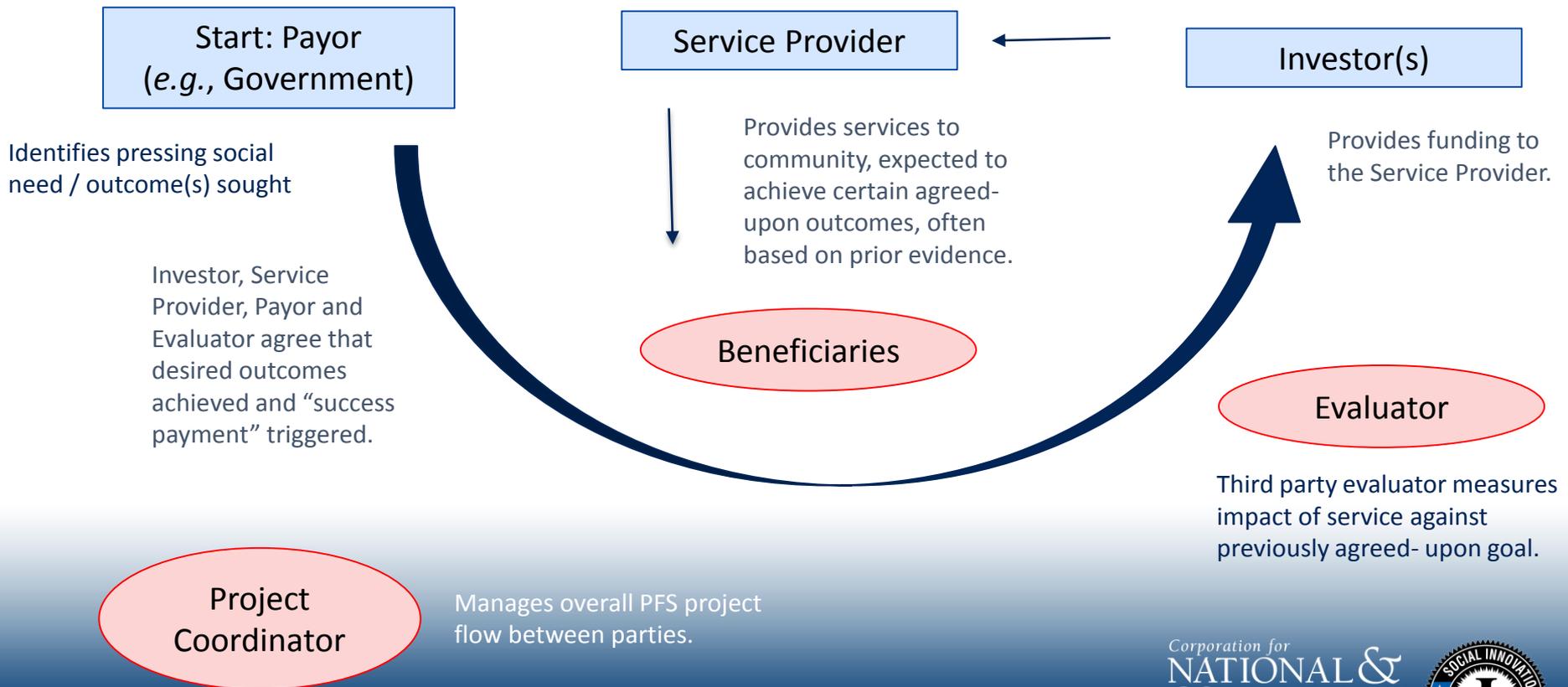
- Performance-based contracts for rigorously evaluated outcomes
- Payors and Service Providers agree that services will not be paid until agreed-upon set of outcomes has been achieved/verified.

## 2. PFS Financing

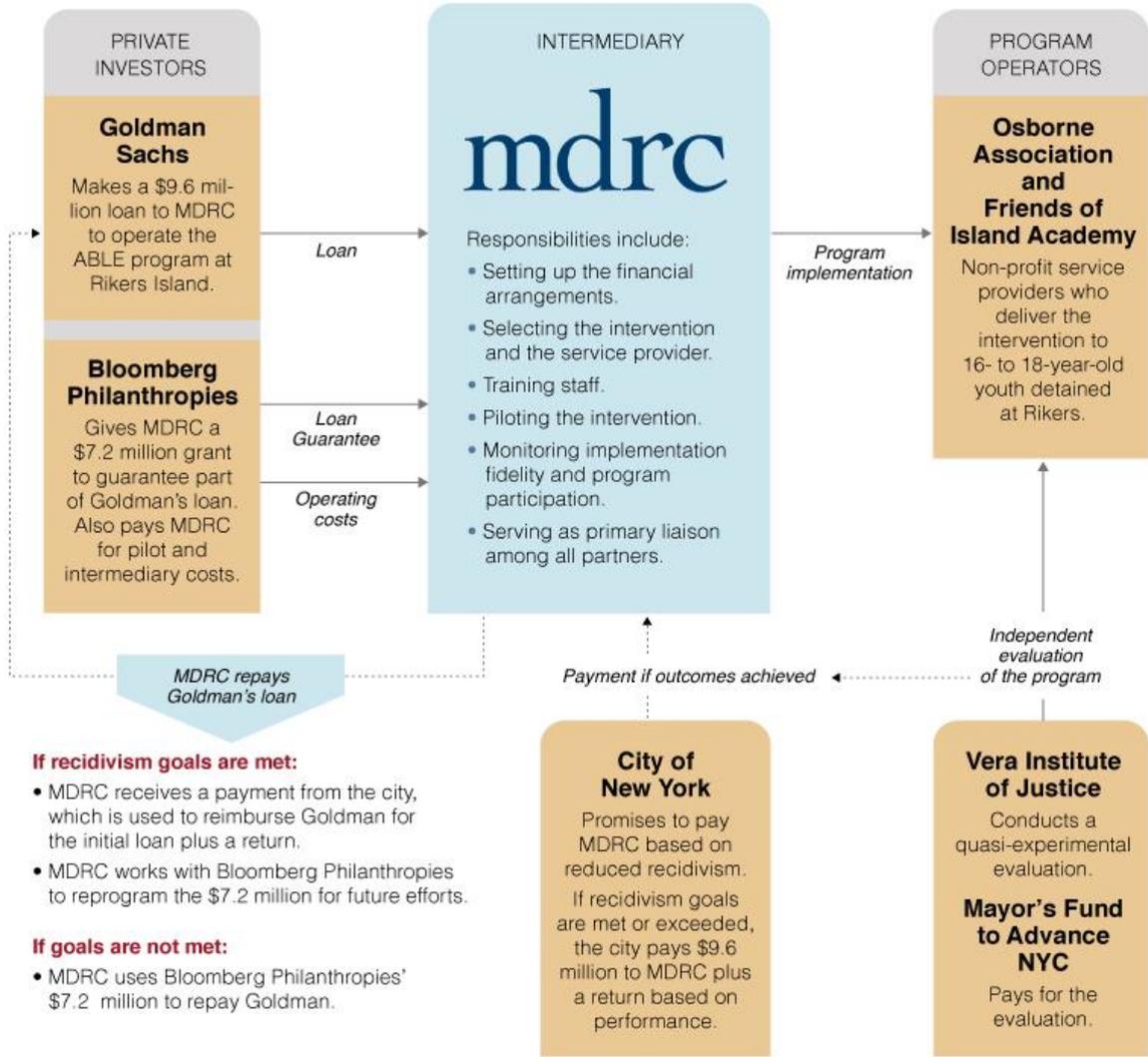
- Often known as Social Impact Bonds (SIBs)/ Outcomes Financing
- Third party investor fronts capital to service provider.
- Payor repays Investor only when outcomes have been achieved/verified.

# How does Pay for Success Finance work?

## Flow of Funding / Operations in a PFS Finance Project:



# PFS Financing Example: Reducing recidivism at Rikers Island in New York City



**If recidivism goals are met:**

- MDRC receives a payment from the city, which is used to reimburse Goldman for the initial loan plus a return.
- MDRC works with Bloomberg Philanthropies to reprogram the \$7.2 million for future efforts.

**If goals are not met:**

- MDRC uses Bloomberg Philanthropies' \$7.2 million to repay Goldman.

Source: MDRC (<http://www.mdrc.org>)

# PFS Finance Case Study: Reducing recidivism at Riker's Island in New York City

Reduction in Recidivism	Projected Long Term City	
	Net Savings (\$)	City Payment to MDRC
≥20.0%	\$20,500,000	\$11,712,000
≥16.0%	\$11,700,000	\$10,944,000
≥13.0%	\$7,200,000	\$10,368,000
≥12.5%	\$6,400,000	\$10,272,000
≥12.0%	\$5,600,000	\$10,176,000
≥11.0%	\$1,700,000	\$10,080,000
≥10.0% ( <i>breakeven</i> )	\$ ≥ 1,000,000	\$9,600,000
≥8.5%	\$ ≥ 1,000,000	\$4,800,000

## What happened?...

- Intervention did not produce intended outcomes...
- No city repayment...
- Taxpayers did not pay for an intervention that didn't work

*Tip: Distinguish between "PFS didn't work." and "The intervention didn't work."*

# Closed PFS Finance Transactions to Date

## Chicago - 2014

- Focus : Early Childhood Education
- Target Outcomes: Reduction in need of SpEd classes, Increased Grade 3 Literacy Rates

## Cuyahoga CO, Ohio - 2014

- Focus : Homelessness and Child Welfare
- Target Outcomes: Reduction in out-of-home foster care placement

## Massachusetts (2) – 2012, 2015

- Focus 1: Juvenile Justice
- Target Outcomes Area 1: Employment, jail days avoided
- Focus 2: Homelessness
- Target Outcomes Area 2: Reduction of Homelessness

## New York City - 2012

- Focus : Incarcerated Youth and Juvenile Justice
- Target Outcome: reduction in rates of recidivism

## New York State - 2014

- Focus : Increasing Employment Among Formerly Incarcerated Men
- Target Outcomes: Employment gains, jail bed days avoided

## Salt Lake City/County/Utah – 2013

- Focus : Early Childhood Education
- Target Outcomes: Avoidance of SpEd or Remedial Education Services

## Santa Clara CO, CA – 2015

- Focus: Homelessness
- Target Outcomes: Reduction of Homelessness among Superutilizer Population

## Denver, Colorado – 2016

- Focus: Homelessness
- Target Outcomes: Reduction of Homelessness among Superutilizer Population

# Projects in the PFS pipeline: > 80 across the country

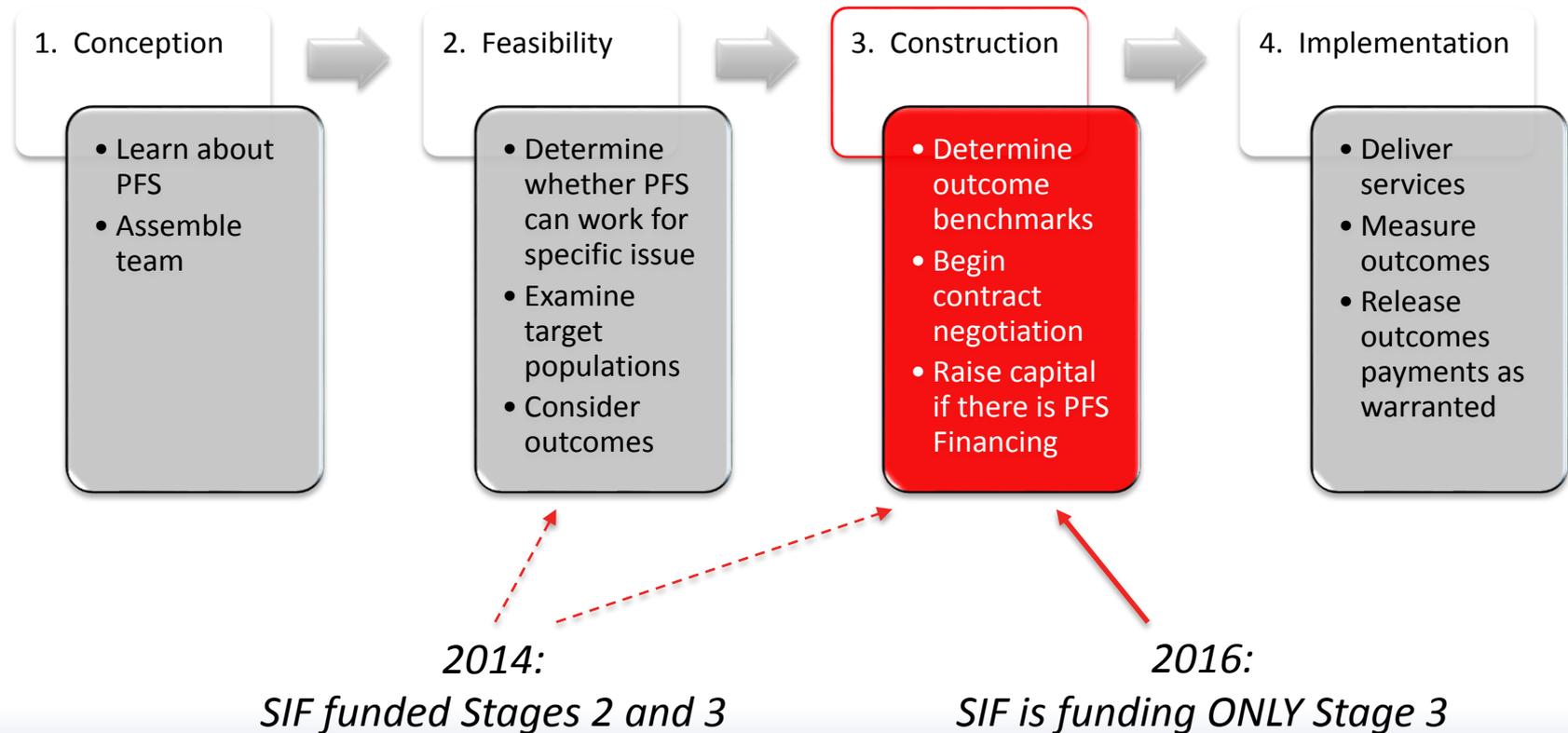
## Payors Include:

- Cities
- Counties
- States
- Hospitals / Managed Care Organizations
- Insurance Providers
- School Districts

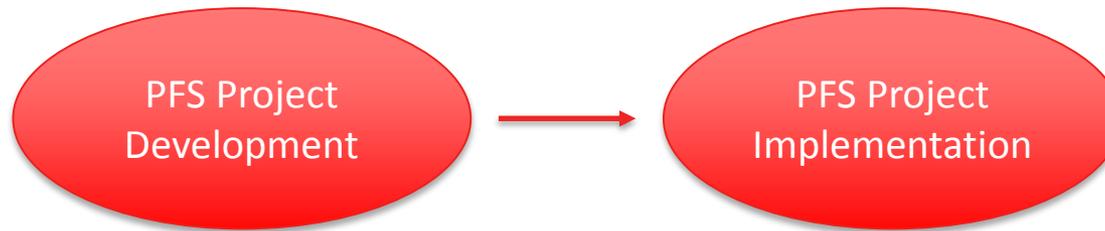
## Focus Areas

- Aging in Place/Senior Care
- Asthma Prevention
- Diabetes Prevention
- Early Childhood Education
- Environmental Health
- High School Graduation/Truancy Reduction
- Homelessness
- Juvenile Justice/Child Welfare
- Recidivism Reduction
- Substance Abuse Prevention
- Teen Pregnancy Prevention
- Workforce Development/Training

# Stages of Pay for Success



# What happens during Construction?



- ✓ Provide overall PFS Project coordination and support
- ✓ Raise capital and develop capital structure
- ✓ Facilitate agreement between each of the parties to the PFS Project
- ✓ Close the PFS Project and prepare for post-closing activities
- ✓ Support “ramp-up” activities

*Tip: Remember, this is what SIF is funding this year!*

# Pay for Success at SIF

- The SIF PFS Program
- The SIF PFS Competition

# Why Does PFS Matter?

SIF Mission: Find what works,  
make it work for more people.



PFS:

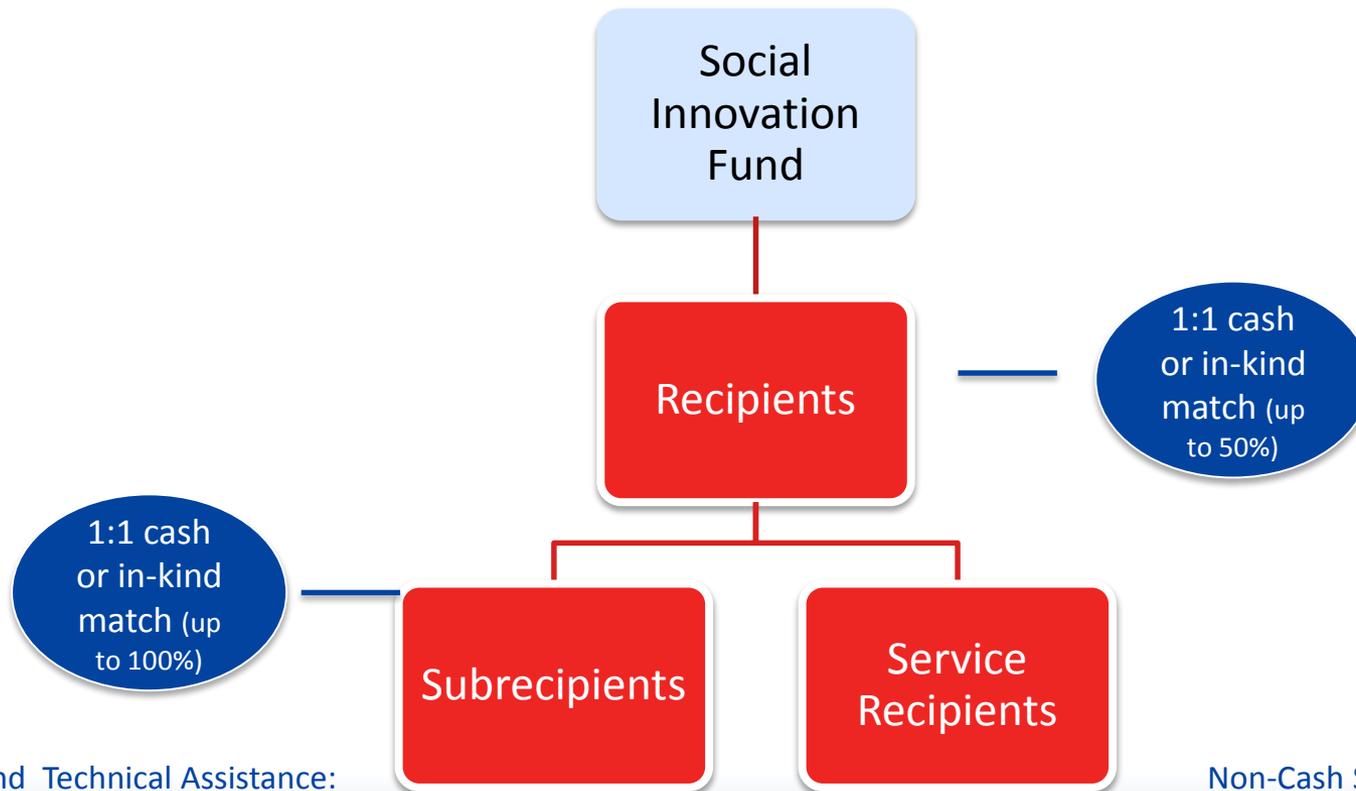
- ✓ Provides capital in time of tight budgets and growing need
- ✓ Leverages private sector investors to scale effective interventions
- ✓ Focuses on prevention, not remediation
- ✓ Minimizes risk to the government and maximizes return on taxpayer dollars

# Qualities of SIF PFS Recipients

It is expected that PFS Recipients are:

- ✓ High-performing entities with strong track records
- ✓ Experienced with social finance, PFS or social innovation
- ✓ Experienced operating open competitions and managing subs
- ✓ Well-equipped to assess, oversee and report on subs

# Structure of the 2016 PFS Program



Funds and Technical Assistance:  
Program Coordinators,  
Governments to select Program  
Coordinators, Service Providers to  
receive “ramp up” funding

Non-Cash Services, Technical  
and Training Assistance:  
Governments or other Payors,  
Service Providers

# Funding and Eligibility



	Funding
Total Available	Up to \$10.6 million
Annual Grant for Each Recipient	\$350,000-\$1,800,000
Total Funding Available for Each Recipient	\$1,050,000-\$5,400,000
Funding for Each Sub (annual, in federal dollars)	\$75,000-\$400,000

	Eligibility
Recipients (applicants to FY16 SIF PFS Competition)	Nonprofit organizations, public or nonprofit universities, state and local governments (and other political subdivisions), tribes, as well as faith-based organizations (or partnerships).
Subs	Nonprofit organizations, public or nonprofit universities, state and local governments (and other political subdivisions), tribes, as well as faith-based organizations (or partnerships).



# Key Program Requirements

- ✓ Match
- ✓ Subrecipients and Service Recipients
- ✓ Evaluation and Knowledge Sharing
- ✓ Deliverables
- ✓ Allocation of Funds

# Requirement: Recipient Match

- Recipients are required to match their grant awards on a 100% dollar for dollar basis
- Up to 50% of match can be in-kind from a third party
- At the time of application, must demonstrate ability to meet 10% of what they must raise in year one for a match

# Requirement: Subrecipient Match

- Subrecipients must match 100% federal funds expended with non-federal funds
- Up to 100% can be third party, in-kind

*(Note: not Service Recipients)*

# Requirement: Subrecipients and Service Recipients

- Two-tiered grantmaking structure
- Within six months of receiving award, Recipients must select Subs through an open and competitive process.
- At least one month in advance of releasing the competition, Recipients must submit to CNCS a Sub-Selection Plan for approval.
- Recipient monitoring of Subs throughout duration of subaward.

# Requirement: Participation in SIF PFS Evaluation, and Knowledge Sharing

## National Evaluation

- CNCS will work with a third party to evaluate the PFS program

## Knowledge Sharing

- SIF-led efforts
- Recipient-led efforts, including sharing tools and documents publically

# Requirement: Deliverables



- Recipients must provide Deliverables to SIF at the end of the grant period.
- Examples:
  - report and assessment on the transaction structuring activities,
  - examination of any subsequent activities related to fully structured High-Quality PFS Project agreements,
  - final report on the initiation of a PFS Project.

# Requirement: Allocation of Funds

- 80% of funds must be spent on services/awards
- Up to 20% can be spent on administrative and other project costs
- Once award is made, SIF may consider exceptions

# Qualities of SIF PFS Recipients

It is expected that PFS Recipients are:

- ✓ High-performing entities with strong track records
- ✓ Experienced with social finance, PFS or social innovation
- ✓ Experienced operating open competitions and managing subs
- ✓ Well-equipped to assess, oversee and report on subs

# PFS Focus Areas and Funding Priorities

## Focus Areas

- Youth Development
- Economic Opportunity
- Healthy Futures

## Priority Area 1

- Social issues, geographic areas, populations that have not typically been the focus of PFS projects to date
- (ex: other than reentry/recidivism, ECE/D, homelessness, outside of Northeast & CA)

## Priority Area 2

- Projects targeting low-income communities, underserved/underrepresented geographic areas and populations

Note: Not all applications will pre-select or identify priority areas.

# Questions?



- Speak directly into phone (dial \*0 to get in queue)
- Type your question into the Chat or Q&A boxes

# Next Steps

- Refer to reference materials for more information
- Participate in remaining Orientation sessions
- Confirm Completion of Orientation II – email Secret Word to [PeerReviewers@cns.gov](mailto:PeerReviewers@cns.gov)

Thank you!