

DATE: September 17, 2015 **AGENDA ITEM:** J

TO: BSCC Chair and Members

FROM: Colleen Stoner, CPP Field Representative, colleen.stoner@bscc.ca.gov

SUBJECT: Assembly Bill 1837, Request for Approval and Release of the Social Innovation Financing Program - Pay for Success Project, Request for Proposals: **Requesting Approval**

Summary

This agenda item requests that the Board of State and Community Corrections (BSCC) approve issuance of the proposed Request for Proposals (RFP) as recommended by the Executive Steering Committee (ESC) for the Social Innovation Financing Program, Pay for Success Grant Project.

Background

Assembly Bill (AB) 1837 (Atkins), Attachment J-1, enacted the Social Innovation Financing Program (SIFP) to be administered by the BSCC and funded through the Recidivism Reduction Fund. SIFPs, also referred to as “Pay for Success” (PFS) projects are innovative funding models that help government better serve vulnerable populations. Under a PFS model, governments, service providers, and funders agree on targeted outcomes for underserved populations. Private investors and philanthropy provide flexible multi-year operating costs to fund effective social service providers. If and when targeted outcomes are achieved (determined by an independent evaluator), government makes “success payments” to investors, who may recycle their returns to further impact social change.

The PFS Grant Project provides approximately \$5,000,000 to award grants in amounts of not less than \$500,000 and not more than \$2,000,000 for local pay for success projects. The broad purpose of these funds is to reduce recidivism using evidence-based approaches that may address such issues as homelessness, substance abuse and unemployment. The BSCC shall select three counties to receive grant funding. Counties are required to provide a 100 percent match of the grant awarded. The program requires counties to report their progress annually to the BSCC. The BSCC is required to compile those reports annually and submit a summary report to the Governor and the Legislature. Pursuant to AB 1837 this program funding is to sunset on January 1, 2020. On August 31, 2015, AB 1056 was amended which, pending signature by the Governor, will extend this sunset date to January 1, 2022.

At its April 9, 2015 meeting, the Board appointed Board member Scott Budnick as chair of the ESC established to guide development of the Request for Proposals (RFP) for the PFS Grant Project, evaluate the proposals, and make funding award recommendations based on

the results of the proposal evaluation process. The Board also approved the list of stakeholder interests and subject matter expertise to be represented on the ESC and authorized the Chair to work with staff to name the members of the ESC, based on this list. In addition, the Board approved the proposed timeline for the administration of the competitive PFS Grant Project RFP process.

PFS Grant Project RFP The 14-member ESC (Attachment J-2) convened on July 14, 2015 to develop recommendations for the Board's consideration on the grant requirements and proposal rating criteria for the PFS Grant Project RFP framed by AB 1837, Title 15.8. 97008-97015. Staff incorporated these recommendations into a draft RFP and distributed it to the ESC members for their review and feedback. This process resulted in a final draft of the RFP (Attachment J-3), recommended on behalf of the ESC by staff.

Key Components:

- ❖ The initial grant period will be May 1, 2016 through October 31, 2019.
- ❖ Eligible applicants are County Boards of Supervisors (BOS applying for the PFS Grant Project on behalf of government agencies (implementing agencies) that fall under their authority. Government agencies could include Sheriff's Offices, Probation Departments, Mental Health Departments, or other county departments that have the capacity to deliver services for the broad purpose of recidivism reduction.
- ❖ Among other criteria, selected projects should meet the following requirements:
 - Address social needs that are unmet, high priority, and large-scale;
 - Address target populations that are well-defined and can be measured with scientific rigor;
 - Result in outcomes that are credible and readily available by cost-effective means;
 - Identify anticipated outcome metric(s) as well as the means and methodology for measuring, evaluating, and documenting program impacts;
 - Identify approach to raising funds for the project, potentially from a combination of commercial and philanthropic sources;
 - Propose interventions that have high likelihood of achieving targeted outcome metrics;
 - Propose interventions that are highly likely to achieve targeted impact goals;
 - Be carried out by proven service providers that are prepared to scale with quality;
 - Include safeguards to protect the well-being of the populations served; and
 - Be cost-effective programs that can demonstrate financial savings for government.
- ❖ Pro bono technical assistance is available to applicants who would like help in determining the feasibility of implementing a PFS project or support in understanding the components of a PFS program through BSCC's fellowship program with the Harvard Kennedy School of Government's Social Impact Bond Technical Assistance Lab.

Key Players:

- ❖ County BOS: develops a program designed to reduce recidivism and contracts with private (nongovernmental) investors to establish the program funding
- ❖ Investors: provides upfront operating capital for the project

- ❖ Service providers: delivers services to the target population
- ❖ Independent evaluator: validates the results of the project and develops the methodology for determining successful programmatic outcomes that will trigger repayment to the investor
- ❖ BSCC: awards grants to three (3) counties for the purpose of repaying investors when predetermined outcomes are achieved
- ❖ Intermediary (optional): coordinates and manages the project, assists with selection and funding of services providers, and aligns the interests of the multiple parties involved in the contract with the County BOS (i.e. investors, service providers, and evaluator)

Regional Trainings

On July 21-23, 2015, the BSCC held three statewide workshops designed to provide information about PFS projects in Sacramento, Fresno, and Santa Ana (respectively). The workshops included an overview of the working components of a PFS project from feasibility studies to implementation. Additionally, a panel of subject matter experts made-up of intermediaries, technical assistance providers, and local level PFS projects provided information about their roles and experience in developing a PFS program. Seventy-seven participants attended the workshops and thirty-four organizations/agencies representing seventeen counties requested follow-up technical assistance and additional resources.

RFP and Evaluation Timeline:

The following PFS Grant Project timeline summarizes the RFP and evaluation process activities:

APPROVED TIMELINE	ACTIVITY
September 17, 2015	Present the PFS Grant Project RFP for Board approval
September 18, 2015	Release RFP to field, contingent on approval
February 1, 2016	Proposals due to BSCC
February 2 - 18, 2016	Technical compliance review of submitted proposals
February 4, 2016	Rater training
February 19 – March 8, 2016	Proposal reading and rating process
March 16, 2016	Development of funding recommendation based on reading/rating process, and review/approval by ESC
April 14, 2016	Present funding recommendations to the Board
May 1, 2016	Contract start date

Recommendation/Action Needed

Staff recommends the Board approve the Request for Proposals (RFP) as recommended by the Executive Steering Committee for the Pay for Success Grant Project and authorize the release of the RFP.

Attachments

- J-1: Assembly Bill 1837
- J-2: The 14-member Executive Steering Committee Roster
- J-3: The Pay for Success Grant Project Draft Request for Proposals