



# PAY FOR SUCCESS GRANT PROGRAM

LEGISLATIVE REPORT 2017



BOARD OF STATE & COMMUNITY CORRECTIONS  
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[WWW.BSCC.CA.GOV](http://WWW.BSCC.CA.GOV)



STATE OF CALIFORNIA – EDMUND G. BROWN, GOVERNOR  
**BOARD OF STATE AND COMMUNITY CORRECTIONS**  
**Board Members\***

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Chair, Board of State Community Corrections.....	<b>Linda M. Penner</b>
The Chair of the Board is a full-time paid position appointed by the Governor and subject to Senate Confirmation	
Secretary, CA Dept. of Corrections and Rehabilitation (CDCR) .....	<b>Scott Kernan</b>
Director, Adult Parole Operations, CDCR .....	<b>Jerry Powers</b>
Lassen County Sheriff .....	<b>Dean Growdon</b>
A sheriff in charge of local detention facility with a BSCC rated capacity of 200 inmates or less appointed by the Governor and subject to Senate confirmation	
Ventura County Sheriff.....	<b>Geoff Dean</b>
A sheriff in charge of local detention facility with a BSCC rated capacity of more than 200 inmates appointed by the Governor and subject to Senate confirmation	
Kern County Supervisor .....	<b>Leticia Perez</b>
A county supervisor or administrative officer appointed by the Governor subject and to Senate confirmation	
San Bernardino County Chief Probation Officer .....	<b>Michelle Scray Brown</b>
A chief probation officer from a county with a population over 200,000 appointed by the Governor and subject to Senate confirmation	
Nevada County Chief Probation Officer .....	<b>Michael Ertola</b>
A chief probation officer from a county with a population under 200,000 appointed by the Governor and subject to Senate confirmation	
Retired Judge, Solano County .....	<b>Ramona J. Garrett</b>
A judge appointed by the Judicial Council of California	
Chief of Police (Ret), City Of Chula Vista .....	<b>David Bejarano</b>
A chief of police appointed by the Governor and subject to Senate confirmation	
Founder of the Anti-Recidivism Coalition and Film Producer .....	<b>Scott Budnick</b>
A community provider of rehabilitative treatment or services for adult offenders appointed by the Speaker of the Assembly	
Director, Commonweal Juvenile Justice Program .....	<b>David Steinhart</b>
A community provider or advocate with expertise in effective programs, policies and treatment of at-risk youth and juvenile offenders appointed by the Senate Committee on Rules	
Office of Public Safety Accountability – City of Sacramento .....	<b>Francine Tournour</b>
A public member appointed by the Governor and subject to Senate confirmation	

**BSCC Staff**

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Executive Director.....	<b>Kathleen T. Howard</b>
Communications Director.....	<b>Tracie Cone</b>
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## EXECUTIVE SUMMARY

Decades of research have demonstrated that public investment in effective programs can improve the lives of Californians while at the same time strengthening the State's bottom line. From pre-kindergarten—which has a strong track record of generating significant returns on public investment—to criminal justice—where reducing recidivism avoids costs and improves public safety—there are opportunities for evidence-based investments across state government.

Assembly Bill (AB) 1837 (Atkins), Chapter 802, Statutes of 2014, established the Social Innovation Financing Program (SIFP) to be administered by the Board of State and Community Corrections (BSCC).<sup>1</sup> It provided \$5,000,000 in funding through the Recidivism Reduction Fund to support three local projects. Assembly Bill 1056 (Chapter 438, Statutes of 2015), extended the program's sunset date to January 1, 2022.

SIFPs, also referred to as “pay for success” projects, are innovative funding models that help government better serve unserved, underserved and vulnerable populations. Under this model, governments, service providers, and funders agree on targeted outcomes for the identified populations. Private investors and philanthropy provide flexible multi-year operating costs to fund effective social service providers. If targeted outcomes are achieved (determined by an independent evaluator), government makes “success payments” to investors, who may reinvest their returns to further impact social change.

The Board awarded grants to three local pay for success projects through a competitive-bid process. These projects entered in grant award agreements with the BSCC in June 2016. Government Code section 97013 requires funded counties to report progress annually to the BSCC. The BSCC is required to compile those reports and submit an annual summary report to the Governor and the Legislature. This is the first Annual Legislative Report summarizing the implementation of the program, provide a description of the funded projects and the progress made to date.

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<sup>1</sup> Gov. Code, §§ 97008-97015.

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## THE PAY FOR SUCCESS GRANT PROGRAM

### LEGISLATIVE REPORT 2017

#### INTRODUCTION

AB 1837 appropriated \$5,000,000 in local assistance from the Recidivism Reduction Fund to establish the Social Innovation Financing Program, now known as the Pay for Success (PFS) Grant Program.

PFS performance contracts—also known as “Social Impact Bonds”<sup>2</sup> provide an innovative strategy to finance proven programs through public-private partnerships. PFS contracts are rigorous, binding agreements based on a straightforward proposition: taxpayers will pay only for services that achieve results and save money in the long-run. The strategy enables the state to fund programs and services that improve economic opportunity, health, and safety that it otherwise might not be able to afford in the short-term. Moreover, PFS directs funding toward programs that have a strong evidence base and track record of effectiveness.

California has joined several states and local governments that are using PFS contracting as an approach to solve community challenges. AB 1837 authorized the BSCC to invoke pay for success financing to address persistent criminal justice challenges across the state. Pursuant to AB 1837, “it is the intent of the Legislature that as part of the package to reduce recidivism in California, the concept of ‘pay for success’ or social innovation financing should be included to take advantage of available philanthropic and private investment.” The broad purpose of the PFS Grant Program is to reduce recidivism using evidence-based approaches that may address such issues as homelessness, substance abuse, and unemployment.

Under the most common PFS model, the government contracts with an independent intermediary entity, or directly with a service provider, to provide social services. The government pays this contract-holder entirely—or almost entirely—based upon achievement of mutually-agreed upon performance targets. These performance targets are directly linked to taxpayer savings and are measured by comparing the outcomes of individuals referred to the service provider to the outcomes of a comparison group that is not offered the services.

The service provider obtains multi-year operating funds by raising capital from private, commercial, and/or philanthropic sources. If the contract-holder is an intermediary, it uses these operating funds to subcontract with one or more service providers to deliver the interventions necessary to meet the performance targets. If the services achieve the

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<sup>2</sup>The term “Social Impact Bond,” which was coined in the United Kingdom, is a misnomer. The private-sector financing arrangement is not a typical debt instrument and these transactions do not require the government to issue debt. To avoid these misperceptions, these programs are often called “Pay for Success” performance contracts.

minimum outcome target(s) negotiated, the government repays the investors (often out of the savings it achieves from the preventative program). If the contract-holder fails to achieve the minimum target(s) negotiated, the government does not pay, ensuring that taxpayer funds are not spent on programs that are ineffective. Payments typically rise for performance that exceeds the minimum target, up to an agreed-upon maximum payment level. Independent monitoring and evaluation of outcomes is critical in PFS contracts, as government payment is predicated on the achievement of outcomes. Rigorous evaluation systems, which determine whether pre-established targets have been reached, can deepen California's understanding of which programs work, and findings can be used to improve services throughout the state. This learning enables the state to spend taxpayer funds more effectively and scale up evidence-based, innovative programs that have been proven to work in California.

While there are many different structures that satisfy the principles of a pay for success project, the common characteristics include:

- Rigorous measurement of desired goals and outcomes, validated by an outside party;
- Performance-based payments made by the government, only if outcomes are met; and
- Private-sector and/or philanthropic financing.

AB 1837 provided approximately \$4,750,000 for local grant awards in amounts of not less than \$500,000 and not more than \$2,000,000 for three local pay for success projects selected through a competitive-bid process.

A minimum of 100 percent match of the PFS Grant Project funding was required. Other county, federal, private, or philanthropic funds were allowable to meet the match requirement. Resources required for the match obligation could be cash or in-kind contributions or a combination of both.

Up to 10 percent of the grant funds awarded may be used by the counties for administrative expenses. The remaining 90 percent must be set aside by the county to repay investors upon the achievement of specific outcomes based upon defined performance targets. Any unused state moneys shall revert to the General Fund.

County Boards of Supervisors (BOS) were the eligible applicants applying for the PFS Grant Project. Funding awarded to the grantees is to be used to enter a pay for success contract with investor(s) to include the following:

- A requirement that the repayment to investors be conditioned on the achievement of specific outcomes based upon defined performance targets.

- An objective process by which an independent evaluator, selected by the county, will determine whether the performance targets have been achieved. This process shall include defined performance metrics and a monitoring plan.
- A calculation of the amount and timing of repayments to the investor(s) that would be earned during each year of the contract if performance targets are achieved as determined by the independent evaluator.
- A determination by the county that the contract will result in significant performance improvements, such as a reduction in rearrests or an increase in the number of jail days avoided, and budgetary savings if the performance targets are achieved.

## **DEVELOPMENT OF THE PROJECT**

The BSCC established an Executive Steering Committee (ESC) to guide the development of the Request for Proposals (RFP) process for the PFS Grant Project. The ESC developed the elements of the RFP, read and rated proposals, and made funding recommendations based on the results of the proposal evaluation process.

### Key Components:

- The project period began June 1, 2016 and will end December 31, 2021.
- Eligible applicants were 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 may 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, projects are to 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;
  - Deliver 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;
  - Raise private, nongovernmental funding for project operations and repay investors when predetermined outcomes are achieved;
  - Use interventions that are highly likely to achieve targeted impact goals;
  - Use proven service providers that are prepared to scale-up with quality;

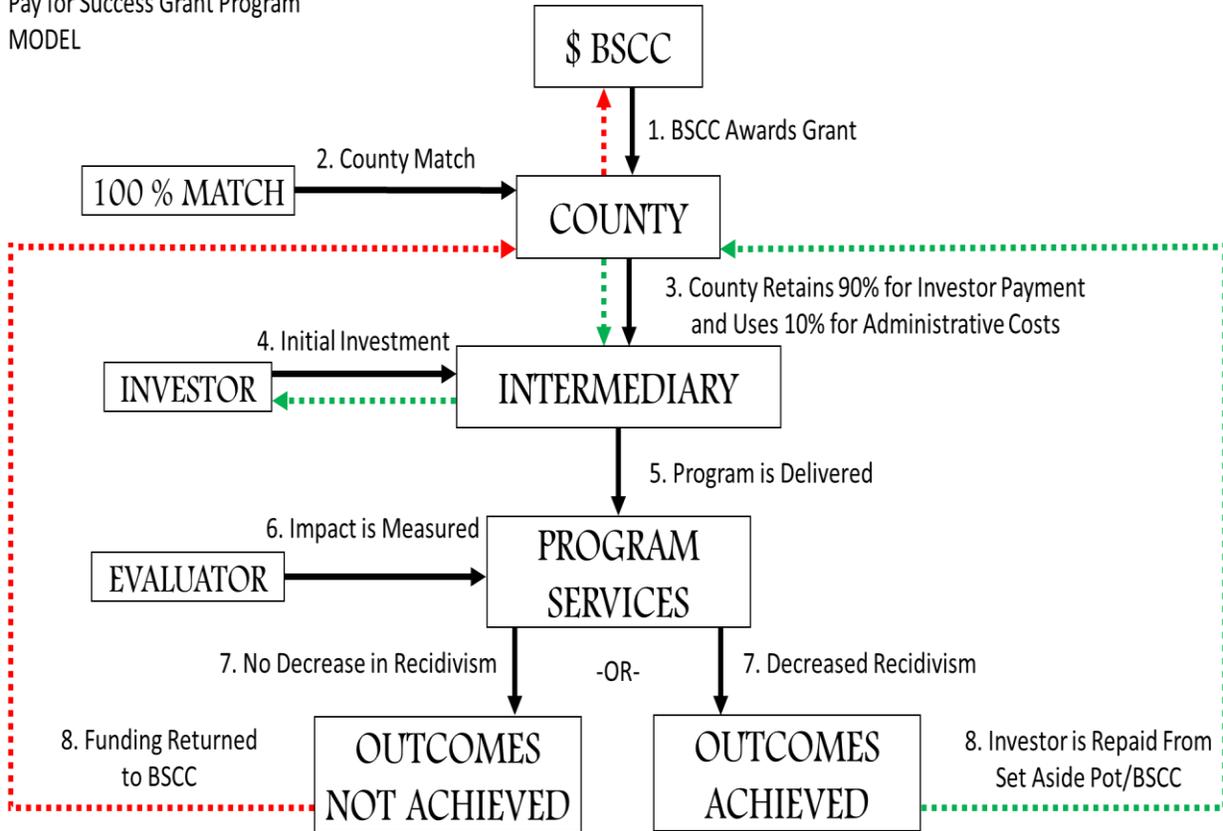
- Include safeguards to protect the well-being of the populations served; and
- Be a cost-effective program that can demonstrate financial savings for government.

Key Partners:

- 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 up to three counties for repaying investors when predetermined outcomes are achieved and administers program.
- Intermediary (optional): coordinates and manages the project, assists with securing funding, assists with selection 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).

**TABLE I**

Pay for Success Grant Program  
MODEL



### Statewide Informational Workshops

Prior to the release of the RFP, the BSCC held three statewide workshops in Sacramento, Fresno, and Santa Ana to provide information about PFS projects. 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 representing 17 counties.

### Bidders Conference

Following the release of the RFP, a Bidders Conference was conducted to provide information and details about the project requirements, grant application process and to offer an opportunity for questions and answers. Twenty-six participants attended the conference representing eight counties and four private agency/organizations.

### Harvard Government Performance Lab

Throughout the PFS Project the BSCC has received support and technical assistance through a fellowship program with the Harvard Government Performance Lab, experts in the pay for success model. The Harvard Government Performance Lab staff assisted with

the regional workshops, provided support and training both to the ESC and at the Bidders Conference, and offered technical assistance to applicants to help them in determining the feasibility of implementing a local PFS project and in understanding the required components of a PFS program. They will continue to provide this pro bono assistance to support the pre-launch activities and early implementation efforts of the grantees awarded the PFS funding.

Awards

Following a solicitation period of nearly 19 weeks, three proposals were submitted that were forwarded to the ESC for reading and rating. All three applicants met the minimum threshold for eligibility to be considered and there was adequate funding to fund two of them fully and one partially (Table II).

**TABLE II**

<b>Rank</b>	<b>County</b>	<b>Amount Requested</b>	<b>Amount Awarded</b>
<b>1</b>	Los Angeles	2,000,000	\$2,000,000
<b>2</b>	Ventura	1,500,000	\$1,500,000
<b>3</b>	Alameda	2,000,000	\$1,250,000
		<b>TOTAL</b>	<b>4,750,000</b>

**PROJECT SUMMARIES**

Below are the project summaries developed at the time of the grant award based on each grantee’s anticipated program structure.

*The Los Angeles County (BSCC grant award \$2,000,000)*

The Los Angeles County’s Pay for Success Project is aimed at reducing recidivism and ending homelessness for frequently incarcerated inmates with histories of homelessness. The project will focus on the end-to-end provision of holistic, supportive jail in-reach services and post-release permanent housing interventions for 300 homeless Los Angeles County male inmates who have frequent contact with the criminal justice system and complex physical and behavioral health conditions that contribute to negative housing and criminal justice outcomes. The project brings together the Los Angeles County Department of Health, Los Angeles County Sheriff’s Department, Los Angeles County Chief Executive Office, Corporation for Supportive Housing, Third Sector Capital Partners, and numerous community based housing and service providers. The intervention consists of two linked components: pre-release in-reach supportive services and immediate interim/permanent supportive housing upon release from jail. The Department of Health Services will provide oversight of the jail in-reach services that will be delivered by intensive case management service providers under contract with their department. The Housing for Health Division will provide oversight of the community-

based contracts for housing and support services for participants post release. The budget for the Los Angeles Pay for Success Project is estimated at \$23,420,616.

Ventura County (BSCC grant award \$1,500,000)

Ventura County's Pay for Success Project will focus on reducing the number of rearrests among 400 Ventura County medium-to-high risk adult probationers. The program model offers an integrated community-based set of evidence-based practices targeting the specific criminogenic factors most related to recidivism. The project has a public-private partnership that leverages and coordinates the expertise and resources of the County Executive Office, Probation Department, Public Defenders Office, Interface Children and Family Services, Social Finance, and investors. The intervention model used, Core 4 Success, is a community-based case management approach. A customized suite of re-entry evidence-based practices are to be used for each individual participant that could include re-entry case management, Moral Reconation Therapy, parenting and reunification services, trauma treatment and job readiness skills. The budget for the Ventura County Pay for Success Project is estimated at \$2,740,782.

Alameda County (BSCC grant award \$1,250,000)

Alameda County's Pay for Success Project is designed to engage first-time felons sentenced to local jails (i.e., persons sentenced pursuant to Penal Code section 1170, subdivision (h)) through peer-based interventions that address: 1) chronic unemployment and poverty; 2) substance abuse; 3) limited access to a variety of supports such as subsidized housing, mental and physical health care and education; 4) lack of positive peer relationships and role models; and 5) criminogenic thinking. Services will include pre-and post-release outreach engagement efforts to ensure participant "buy-in." Once engaged in the program, 945 participants will receive services from a cross-trained peer-based service team that will deliver 24/7 wraparound services, and counselors who provide access to substance use disorder treatment, employment training, adult education, mental health services, intensive case management and housing assistance. The project is a collaboration between the County Administrator's Office, District Attorney's Office, Sheriff's Office, Probation Department, Health Care Services, Behavioral Health Care Services, Public Defender's Office, Social Services Agency and numerous community based service providers. The budget for the Alameda County Pay for Success Project is estimated at \$10,760,539.

## **YEAR-ONE PROGRAM IMPLEMENTATION AND PROGRESS**

In anticipation of the Annual Report to the Legislation the PFS projects were asked to provide information related to:

- General program design including changes or modifications
- Intermediaries
- Investors
- Evaluators and evaluation plan

- Service providers and service delivery
- Program participant information
- Cost-Effectiveness
- Involvement of the affected community
- Recidivism reduction
- Fiscal/budget

### General Program Design

The projects have remained generally consistent with the initial program design as submitted in their proposals. Small adjustments have been reported that include a decrease in the anticipated number of participants to be served and changes in referral processes and eligibility criteria. These modifications appear to be the outcome of compromises made among key partners as they work together to develop the practical details and logistics for each project. The Los Angeles County PFS Project completed a demonstration phase to enable referral and service pathways to be tested and in place for program launch. In the Fall of 2017 the Alameda County PFS Project will initiate a pilot phase with a small cohort of participants to test out protocols, referral mechanisms and program operations. Projects anticipate actual program launch to occur the second and third quarters of FY 2017-18.

### Intermediaries

All three projects have completed a contracting process with an intermediary. The intermediaries are providing support to each project through a variety of activities that include: development of operating capital, partner identification and Agreements, project and fiscal management, evaluation oversight, development of the financial models to be used, leading steering committees, and ongoing technical assistance.

### Investors

Efforts are underway to identify and secure investment funding for all three projects. This is a priority focus area of the intermediaries and each project's intermediary is actively engaged with potential investors. The Los Angeles County PFS Project has nearly finalized contracts with two investors totaling \$10 million in investor funds. The Alameda County PFS Project has secured approximately \$500,000 in planning grants which will allow them to fund and initiate a pilot phase in Fall 2017.

### Evaluators and Evaluation Plan

At the end of year-one all three projects were finalizing contracts with independent evaluators. The scopes of work are still under development and will vary from project to project. Evaluator responsibilities identified to date include: determining evaluation methodology, validating eligibility and success payment calculations, overseeing randomized treatment/control group processes, applying data transfer protocols, establishing evaluation and performance measure criteria, and conducting an impact analysis on service utilization patterns.

### Service Providers and Service Delivery

All three projects have identified the service providers needed to launch their programs and have contracts drafted and ready to be finalized or executed once funding is secured. As previously mentioned, the Los Angeles County PFS Project has already tested service delivery with providers during a demonstration phase conducted in 2016. Projects report that they are poised to deliver services that include: intensive case management, cognitive behavioral therapy, permanent supportive housing, substance use disorder treatment, vocational and employment services, parenting, relentless life coaches, and individual, group and family therapy.

### Program Participant Information

Given that the projects are not yet operational, no program participant information is available. It should be noted however, that after completing a five-month demonstration phase in 2016 the Los Angeles County PFS Project reported referring 140 participants during that time into the program for intensive case management services and connection to permanent supportive housing.

### Cost-Effectiveness

The Alameda County PFS Project has plans to measure the cost-effectiveness of avoided sentences that result from enrollment in their program as compared to a control group. The Los Angeles County PFS Project is not formally linking measurements of cost-effectiveness to success payments but plans to conduct a broader impact analysis that will analyze service utilization and cost offsets. The Ventura County PFS Project has developed a cost-benefit evaluation that projects a savings generated by participants in the treatment group compared to a control group. All projects will continue to develop methods for measuring cost-effectiveness once their projects become fully operational.

### Involvement of the Affected Community

The Los Angeles County PFS Project is guided by a steering committee that includes members who have experienced homelessness and incarceration and is using service providers that have life experiences in these areas as well. The Ventura County PFS Project has conducted Reentry Community Forums to gain community input and strengthen the project model and will continue to conduct client engagement meetings once project is underway. All projects included a cross section of community representatives from agencies that serve the affected community in the planning and development of the project.

### Recidivism Reduction

All three projects plan to track recidivism, though each is measuring and defining it differently. Success payments will be tied to recidivism reduction in all projects. Below Table III represents the definitions used by each county to determine recidivism.

**Table III**

Project	Recidivism Definitions of the PFS Projects
Ventura County PFS Project	Re-arrests identified as probable cause, warrant, or supplemental booking
Alameda County PFS Project	The event in which an individual is charged by the District Attorney's Office with any new crime or felony probation violation
Los Angeles County PFS Project	Rearrests as determined through a rate of qualifying return as follows:  a) Misdemeanors arrests in which there has been a new criminal filing of a violation b) Felony arrests in which there has been a finding of probable cause c) Convictions of a misdemeanor or felony d) Revocation of community supervision e) Flash incarceration of individuals who have violated conditions of parole or probation

Additional Information

During the first year, all projects have remained in a “pre-launch” status pending the completion of several activities needed to move them into full implementation. A ramp-up period of six months was anticipated, however; this proved insufficient time to achieve all that is required to formally launch program operations. Raising investor funding, negotiating the financial model, and establishing the criteria and metrics upon which success payments are to be made is a lengthy and complex process that has impacted the ability of the PFS projects to begin providing services. Securing of investor funding will remain a focus of the projects in year-two. Though now near completion, the contract development process with independent evaluators also took considerable time during the first year and further impacted the project timeline.

During year-one of the PFS Project, technical assistance was offered and made available to all grantees from the Harvard Government Performance Lab. Staff from the Harvard Government Performance Lab report providing approximately 20 hours a week of services throughout the first year to the Alameda County PFS Project, which included the following activities:

- Baseline data analysis to understand and inform target population
- Development RFP for intermediary
- Cost-benefit analysis
- Process map of criminal justice system and development of referral pathway

- Financial model for investor repayment
- Draft full PFS Contract
- Participate in Contract negotiations preparations and processes
- Prepare for on-ramping of pilot (setting up data system, referral mechanisms, etc.)
- Convene all County parties and facilitate programmatic discussions
- Work with intermediary on project management and operations
- Work with evaluator on finalizing evaluation and data sharing requests

Conclusion:

It is anticipated that in year-two all projects will launch into full program operation and begin to implement services to participants. The second Annual Legislative Report is due to Governor and the Legislature on October 1, 2018. For additional information, please contact Colleen Stoner at (916) 324-9385, [colleen.stoner@bscc.ca.gov](mailto:colleen.stoner@bscc.ca.gov).

**APPENDIX A**  
**ASSEMBLY BILL 1837:**  
**SOCIAL INNOVATION FINANCING PROGRAM**

An act to add and repeal Title 15.8 (commencing with Section 97008) of, and to repeal Section 97013 of, the Government Code, relating to corrections.

[Approved by Governor September 29, 2014. Filed with Secretary of State September 29, 2014.]

**LEGISLATIVE COUNSEL'S DIGEST**

Assembly Bill (AB) 1837, Atkins. Board of State and Community Corrections.

Existing law establishes the Board of State and Community Corrections to collect and maintain available information and data about state and community correctional policies, practices, capacities, and needs, as specified. Existing law also requires the board to develop incentives for units of local government to develop comprehensive regional partnerships whereby adjacent jurisdictions pool grant funds in order to deliver services to a broader target population and maximize the impact of state funds at the local level.

This bill would enact, until January 1, 2020, the Social Innovation Financing Program, and would require the board to administer the program. The bill would, among other things, authorize the Board of State and Community Corrections, upon appropriation of funds by the Legislature for deposit in the Recidivism Reduction Fund, to award grants in amounts of not less than \$500,000 and not more than \$2,000,000 to each of 3 counties, selected as specified, for the purpose of entering into a pay for success or social innovation financing contract, pursuant to which private investors agree to provide financing to service providers to achieve social outcomes agreed upon in advance and the government agency that is a party to the contractual agreement agrees to pay a return on the investment to the investors if successful programmatic outcomes are achieved by the service provider. The bill would limit the total amount of the grants awarded to \$5,000,000. The bill would require each county receiving an award to report annually to the Governor and Legislature on the status of its program. The bill would require the board to compile the county reports and submit a summary report to the Governor and the Legislature annually. The bill would also make legislative findings and declarations in this regard.

Digest Key

Vote: MAJORITY   Appropriation: NO   Fiscal Committee: YES   Local Program: NO

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## Bill Text

The people of the State of California do enact as follows:

### **SECTION 1.**

The Legislature finds and declares all of the following:

(a) It is the intent of the Legislature to establish partnerships between local governmental agencies, private investors, nonprofit organizations, and for-profit service providers to facilitate the use of social innovation financing to achieve measurable social benefits.

(b) Social innovation financing and the use of performance-based contracting can serve as an effective tool for addressing social and community development challenges where private sector innovations may be useful and multiple approaches may be appropriate. Research shows that the selection and design of these types of social interventions should be done with care in order to ensure successful outcomes. Among other criteria, selected projects should meet the following requirements:

- (1) Address social needs that are unmet, high priority, and large-scale.
- (2) Address target populations that are well-defined and can be measured with scientific rigor.
- (3) Result in outcomes that are credible and readily available by cost-effective means.
- (4) Propose interventions that are highly likely to achieve targeted impact goals.
- (5) Be carried out by proven service providers that are prepared to scale with quality.
- (6) Include safeguards to protect the well-being of the populations served.
- (7) Be cost-effective programs that can demonstrate financial savings for government.

### **SECTION 2.**

Title 15.8 (commencing with Section 97008) is added to the Government Code, to read:  
TITLE 15.8. Social Innovation Financing Program

#### **97008.**

For purposes of this title, the following definitions apply:

(a) "Board" means the Board of State and Community Corrections.

(b) "Social innovation financing contract," which may also be known and referred to as a "pay for success contract," refers to a contractual agreement between government, private investors, and service providers pursuant to which private investors agree to provide financing to service providers to achieve social outcomes agreed upon in advance and the government agency agrees to pay a return on the investment to the investors if successful programmatic outcomes are achieved by the service provider.

**97009.**

(a) It is the intent of the Legislature that as part of the package to reduce recidivism in California, the concept of “pay for success” or social innovation financing should be included to take advantage of available philanthropic and private investment.

(b) The Legislature hereby declares that a variety of approaches have been shown to be successful in reducing recidivism, including addressing homelessness, substance use disorder and unemployment among specific demographic groups.

**97010.**

(a) There is hereby established the Social Innovation Financing Program.

(b) The board shall administer the Social Innovation Financing Program.

(c) (1) The board shall solicit proposals for social innovation financing from county boards of supervisors and shall select three counties to receive grant funding.

(2) Before awarding a grant pursuant to paragraph (1), the board shall evaluate the quality of the proposal for which the grant is to be awarded.

(3) At a minimum, each application for a grant shall include all of the following:

(A) A description of the proposed social program.

(B) A description of the organization’s experience in providing the proposed social program.

(C) A description of the financial stability of the organization.

(D) An identification of each component of the social program to be provided.

(E) A description of the manner in which the social program will be provided.

(F) A description of the recruitment or selection process, or both, for participants in the social program.

(G) The proposed quantifiable results and performance thresholds upon which success of the social program will be measured.

(H) An itemization of all expenses proposed to be reimbursed under the contract.

(I) The amount of matching funds provided by the county.

(J) A description of how the final payments for successful programmatic outcomes will be calculated and structured in the contract.

(K) A description of all parties to the proposed contract, including prospective investors and philanthropic foundations.

**97011.**

(a) Upon appropriation of funds by the Legislature for deposit in the Recidivism Reduction Fund for the purposes of this title, the board shall award a grant in an amount of not less than five hundred thousand dollars (\$500,000) and not more than two million dollars (\$2,000,000) to each county selected pursuant to Section 97010 for the purposes of entering into a pay for success or social innovation financing contract. The total amount of the grants awarded pursuant to this section shall not exceed five million dollars (\$5,000,000). Any unused state moneys shall revert to the General Fund.

(b) Each county contract described in subdivision (a) shall include all of the following:

(1) A requirement that the payment be conditioned on the achievement of specific outcomes based upon defined performance targets.

(2) An objective process by which an independent evaluator, selected by the county, will determine whether the performance targets have been achieved. This process shall include defined performance metrics and a monitoring plan.

(3) A calculation of the amount and timing of payments that would be earned by the service provider during each year of the agreement if performance targets are achieved as determined by the independent evaluator.

(4) A determination by the county that the contract will result in significant performance improvements, such as a reduction in rearrests or an increase in the number of jail days avoided, and budgetary savings if the performance targets are achieved.

(5) A requirement that an amount equal to a minimum of 100 percent of the Social Innovation Financing Program grant awarded to the county be matched by other county, federal, private, or philanthropic, funds. The board may adopt regulations allowing in-kind contributions in lieu of monetary contributions for this purpose.

(c) Up to 10 percent of the grant funds awarded pursuant to this title may be used by the counties for administrative expenses related to the development of the pay for success or social innovation financing contract. The remainder of the grant shall be contributed toward final payments to investors for successful programmatic outcomes achieved, as stipulated in the contract.

(d) If, after receiving a grant pursuant to this title, a county does not enter into a contract for which the grant was awarded, the county shall return all moneys awarded by the board pursuant to this title, to the state.

**97012.**

The board is encouraged to form an executive steering committee with members from relevant state agencies and departments with expertise in public health, homelessness and housing, workforce development, economic development, and effective rehabilitative treatment for adult and juvenile offenders in the evaluation of the social innovation financing program, including, but not limited to, the Governor's Office of Business and Economic Development, the Department of Housing and Community Development, the California Workforce Investment Board, and the Office of Health Equity, to make recommendations to the board regarding the efficacy and viability of proposals.

**97013.**

(a) Each county receiving an award shall report annually to the board on the status of its ongoing social innovation financing program. The report shall also contain an accounting of the moneys awarded.

(b) The board shall compile the county reports and submit a summary report to the Governor and Legislature annually.

(c) A report made pursuant to this section shall be made in accordance with the requirements of Section 9795.

(d) This section shall remain in effect only until January 1, 2020, and as of that date is repealed, unless a later enacted statute, that is enacted before January 1, 2020, deletes or extends that date.

**97014.**

This title does not create a statutory entitlement to services or any contractual obligation on the part of the state.

**97015.**

This title shall remain in effect only until January 1, 2020, and as of that date is repealed, unless a later enacted statute, that is enacted before January 1, 2020, deletes or extends that date.