

DATE: April 14, 2016

AGENDA ITEM: C

TO: BSCC Chair and Members

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

SUBJECT: Pay for Success Grant Project, Executive Steering Committee's Funding Recommendations: **Requesting Approval**

Summary

This agenda item requests approval of the awards as recommended by the Pay for Success Grant Project Executive Steering Committee (ESC). Recommendations are:

- Fully award two grants totaling \$3,500,000 and allow staff to offer the remaining balance of \$1,250,000 to the next-ranked applicant recommended for funding.
- Authorize staff to offer full funding to the next-ranked partially funded applicant, should an applicant recommended for full funding be unable or unwilling to accept the award, in order to expend the balance of the funds for the Pay for Success Grant Project.

The grant period will begin May 1, 2016 if the proposed list of grantees is approved.

Background

Assembly Bill (AB) 1837 (Statutes of 2014, Chapter 802, authored by Assemblymember Toni Atkins, Attachment C-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 \$4,750,000 to award grants in amounts of not less than \$500,000 and not more than \$2,000,000 for three 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. County Boards of Supervisors are the eligible applicants and 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 was to sunset on January 1, 2020. AB 1056 (Statutes of 2015,

Chapter 438), also authored by Assemblymember Toni Atkins, extended this sunset date to January 1, 2022.

PFS Key Components:

- The initial project period will be May 1, 2016 through September 30, 2021.
- 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 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, 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 grantees who would like help in implementing a PFS project 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 up 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)

In July, 2015, the BSCC held three statewide workshops in Sacramento, Fresno, and Santa Ana designed 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 and thirty-four organizations/agencies representing seventeen counties requested follow-up technical assistance and additional resources.

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 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.

The 14-member ESC (Attachment C-2) convened on July 21, 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. Staff incorporated these recommendations into a draft RFP and distributed it to the ESC members for review and feedback. This process resulted in a final draft of the RFP (Attachment C-3), which was approved by the Board its September 17, 2015 meeting and subsequently released to the public on September 18, 2015.

The BSCC received four proposal requesting \$6.6 million for the PFS Grant Project. The BSCC staff reviewed the proposals for technical compliance with the RFP, (Attachment C-3), page 13 and page 41). After a period in which applicants were allowed to make corrections that would bring them into compliance, three out of the four proposals met the criteria and were forwarded to the ESC for reading and rating.

On February 4, 2016, the ESC received training by BSCC research staff on how to read and rate the PFS proposals based on the rating criteria established in the RFP. Raters did not rate proposals when there were circumstances which could result in a potential conflict of interest.

On March 23, 2016 the ESC members met to discuss scores and determine the ranked list of proposals the ESC is recommending funding for three projects (Attachment C-4).

Recommendation/Action Needed

On behalf of the Pay for Success Grant Project Executive Steering Committee, staff recommends approval of the proposed grant awards in ranked order as provided in the table below.

The ESC funding recommendations are:

- 1 Fully award two grants totaling \$3,500,000 and allow staff to offer the remaining balance of \$1,250,000 to the next-ranked applicant recommended for funding.
- 2 Authorize staff to offer full funding to the next-ranked, partially funded applicants should an applicant recommended for full funding be unable or unwilling to accept the award, in order to expend the balance of the funds for the Pay for Success Grant Project.

PAY FOR SUCCESS GRANT PROJECT
Proposals in Rank Order

Available Grant Funds for Projects: \$4,750,000

RANK	COUNTY	AMOUNT REQUESTED	RECOMMENDED FUNDING AMOUNT
1	Los Angeles	2,000,000	\$2,000,000
2	Ventura	1,500,000	\$1,500,000
3	Alameda	2,000,000	*\$1,250,000
		<i>TOTAL</i>	<i>4,750,000</i>

* Partial funding

Attachments

- C-1: Assembly Bill 1837
- C-2: The 14-member Executive Steering Committee Roster
- C-3: The Pay for Success Grant Project Request for Proposals
- C-4: Brief Summaries of Proposed Grant Awards (to be posted to the BSCC website and distributed to Board Members on April 16, 2016)