



PAY FOR SUCCESS GRANT PROGRAM

LEGISLATIVE REPORT 2018



BOARD OF STATE & COMMUNITY CORRECTIONS
2590 VENTURE OAKS WAY, SUITE 200
SACRAMENTO CA 95833
WWW.BSCC.CA.GOV



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

- Chair, Board of State Community CorrectionsLinda M. Penner**
The Chair of the Board is a full-time paid position appointed by the Governor and subject to Senate Confirmation
- Acting Secretary, CA Dept. of Corrections and Rehabilitation (CDCR)..... Ralph Diaz**
- Director, Adult Parole Operations, CDCRJerry Powers**
- Lassen County SheriffDean Growdon**
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
- San Diego County Sheriff..... William Gore**
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 Leticia Perez**
A county supervisor or county administrative officer appointed by the Governor subject and to Senate confirmation
- Ventura County Chief Probation Officer Mark Varela**
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 Michael Ertola**
A chief probation officer from a county with a population under 200,000 appointed by the Governor and subject to Senate confirmation
- Retired Judge, Alameda CountyGordon S. Baranco**
A judge appointed by the Judicial Council of California
- Chief of Police, City Of Santa Cruz Andrew Mills**
A chief of police appointed by the Governor and subject to Senate confirmation
- Founder of the Anti-Recidivism Coalition and Film Producer Scott Budnick**
A community provider of rehabilitative treatment or services for adult offenders appointed by the Speaker of the Assembly
- Director, Commonweal Juvenile Justice Program David Steinhart**
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..... Francine Tournour**
A public member appointed by the Governor and subject to Senate confirmation

BSCC Staff

- Executive Director.....Kathleen T. Howard**
- Communications Director..... Tracie Cone**
- Deputy Director, Corrections Planning & Grant Programs..... Mary Jolls**
- Field Representative, Corrections Planning & Grant Programs Colleen Stoner**

TABLE OF CONTENTS

EXECUTIVE SUMMARY.....	4
INTRODUCTION.....	6
DEVELOPMENT OF THE PROJECT	8
PROJECT SUMMARIES.....	11
YEAR-TWO PROGRAM IMPLEMENTATION AND PROGRESS	12
APPENDIX A.....	22

EXECUTIVE SUMMARY

Pay for Success (PFS) is an approach to contracting that ties payment for service delivery to the achievement of measurable outcomes. In the United States, the current PFS projects have been accompanied by a form of social innovation financing, often referred to as a “Social Impact Bond”¹ in which investors provide upfront financing for the delivery of services and are repaid only if the services achieve a pre-agreed upon set of positive outcomes.

The United Kingdom launched the first PFS project in 2010, and the United States followed soon after by launching its first project in 2012. Since then, early-stage PFS activity has occurred in many parts of the United States. By 2017, over a dozen projects were launched, one project had been completed, and over 50 projects were in pre-launch development.²

Assembly Bill (AB) 1837 (Atkins), Chapter 802, Statutes of 2014, established the Social Innovation Financing Program (SIFP) now known as the “Pay for Success Grant Program” to be administered by the Board of State and Community Corrections (BSCC).³ It provided \$5,000,000 in funding through the Recidivism Reduction Fund to support three local projects. AB 1056 (Chapter 438, Statutes of 2015), extended the program’s sunset date to January 1, 2022.

PFS 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 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.

PFS contracting has been used to scale up programs and interventions known to be effective, as well as test promising models of service delivery. In the PFS model the payor is not committed to paying for services if desired outcomes are not achieved which can allow governments to gain greater efficiency by allocating resources to programs with demonstrable outcomes.

In April 2016 the Board awarded PFS grants to Alameda County, Los Angeles County and Ventura County through a competitive-bid process. These counties entered into 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 second Annual Legislative Report, summarizing the implementation of the program, and providing a description of the funded projects and the progress made to date.

In year two, projects have continued to make steady progress toward program implementation. The lengthy and complex process of raising investor funds, negotiating

1 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.

2 Nonprofit Finance Fund www.payforsuccess.org

3 Gov. Code, §§ 97008-97015

contracts and establishing evaluation requirements have impacted the ability of projects to launch within the timeframe initially anticipated and provided. However, most of these activities however, have now been completed or are nearing completion as projects move into year three. Highlights of the progress made in year two by the PFS grant projects include the following:

- Pilot/test periods and pre-launch activities have been completed;
- Protocols and referral processes have been established;
- Contracts with service providers have been completed;
- Scopes of work with evaluators have been established
- Investor funding has been secured and deal structuring has been finalized; and
- Two of the three PFS projects are fully launched and providing services to participants, and the third project is on target for formal launch in August 2018.

THE PAY FOR SUCCESS GRANT PROGRAM

LEGISLATIVE REPORT 2018

INTRODUCTION

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

PFS performance contracts provide a creative and effective 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 governments 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 PFS 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 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.

PFS financing agreements involve private investors who provide upfront capital for the delivery of services and are repaid by a back-end, or outcomes payor (usually a government), if contractually agreed upon outcomes are achieved. 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 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 PFS 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 PFS 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.

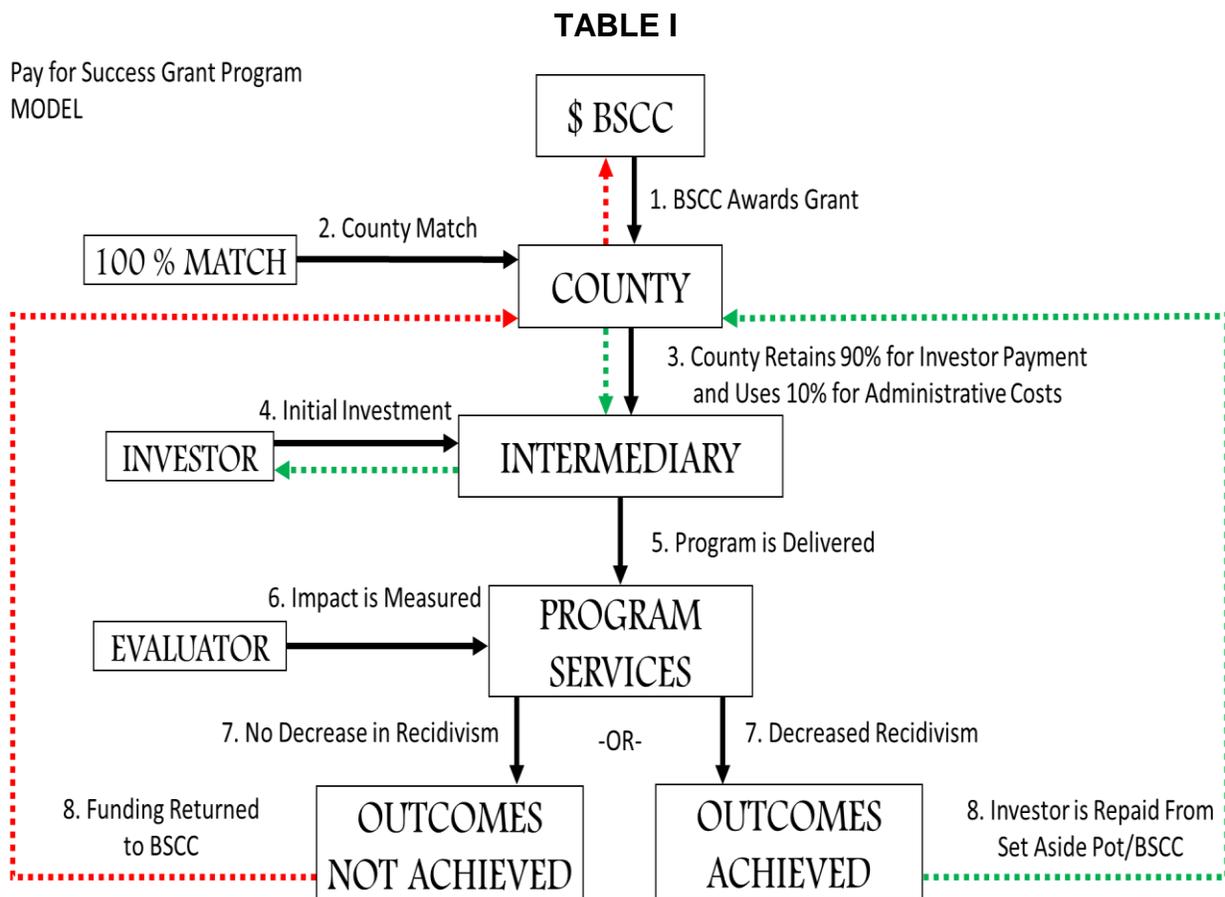
Key Components:

- 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).



Statewide Informational Workshops

Prior to the release of the RFP in February 2016, 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 have continued to offer 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

Rank	County	Amount Requested	Amount Awarded
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
		TOTAL	4,750,000

PROJECT SUMMARIES

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

Alameda County's PFS Project is designed to engage felons who continue to commit low-level felonies (i.e., felonies defined pursuant to Penal Code section 1170, subdivision (h)) through peer-based interventions that address: chronic unemployment and poverty; substance abuse; limited access to resources such as subsidized housing, mental and physical health care and education; lack of positive peer relationships and role models; and criminogenic thinking. Services include pre-and post-release outreach engagement efforts to ensure participant "buy-in." Once engaged in the program, 150 participants will receive individualized program services from a cross-trained peer-based service team who will deliver 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 among 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 County Administrator's Office is the lead and implementing agency for the project. The budget for the Alameda County Justice Restoration Project is estimated at \$3,248,000.

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

The Los Angeles County PFS Project serves individuals who are homeless, have a mental illness and/or substance use disorder, and are involved with the Los Angeles County criminal justice system. The PFS project will fund 300 permanent supportive housing slots. Permanent supportive housing is an intervention that connects permanent housing subsidies to wrap around support services that continue after the participant receives permanent housing. The intervention consists of two linked components: pre-release jail in-reach supportive services and immediate interim housing in anticipation of permanent supportive housing upon release from jail. Intensive case management service providers will begin working with participants while they are still incarcerated. During jail in-reach, providers will work to establish a rapport with participants, administer assessments that will guide service delivery moving forward, begin filling out housing applications, and gather documentation that will help clients secure housing and benefits. These providers will connect clients to interim housing immediately upon release from jail and then to permanent supportive housing. Once the client is housed, the original jail-in-reach service provider will continue to provide intensive case management services to help the client maintain their housing and to support their health and wellbeing through connection to physical health, mental health, and substance use disorder treatment services. The Los Angeles County Department of Health Services is the lead and implementing agency for the project and partners closely with the Los Angeles Sheriff's Department, Courts, Chief Executive Office, and numerous community-based housing

and supportive service providers. The budget for the Los Angeles PFS Project is estimated at \$23,000,000.

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

Ventura County's PFS Project focuses on reducing the number of rearrests among 400 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. Participants are referred and assessed for the program by the probation department. 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 Reconciliation Therapy, parenting, reunification services, trauma treatment and job readiness skills. The County Executive Office is the lead and implementing agency for the project and the budget is estimated at \$2,563,161.

YEAR-TWO PROGRAM IMPLEMENTATION AND PROGRESS

In anticipation of the Annual Reports 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, Progress and Status

The projects have remained generally consistent with the initial program design as submitted in their proposals and highlighted in the Project Summaries section. Small adjustments have been reported that include a decrease in the anticipated number of participants to be served and changes in referral processes, service delivery structure, and eligibility criteria. These modifications appear to be the result of less-than-anticipated funding received from investors, lessons learned during pre-launch activities and compromises made among key partners as they work together to develop the practical details and logistics for each project.

Alameda County

Alameda County PFS Project initiated a pilot phase in September 2017 with a cohort of 12 participants to test out protocols, referral mechanisms and program operations. During this time, project partners identified several challenges such as longer-than-expected times to complete pre-trial court dates and additional time needed to adhere to client right-to-counsel legal protocols. During and after the pilot period concluded, procedural solutions to these challenges were identified and developed. The project received additional philanthropic support from the Non-Profit Financing Fund and Irvine Foundation to test these updated solutions during a Ramp-up period, which commenced in March 2018 with the enrollment of an additional 12 clients over an approximate two-month period. The Alameda County PFS Project reported that communication and partnerships were strengthened during this period which helped the project be more effective in identifying clients and smooth out an efficient referral process. As investor funding is finalized, a formal launch of the project is planned for August 2018.

Los Angeles County

The Los Angeles PFS Project officially launched in October 2017 after completing a demonstration phase in year-one supported by grant funding from the Non-Profit Financing Fund and Irvine Foundation. Several changes and modification are underway as the project gained information about the needs of the clients and adequacy of the project infrastructure. The project has developed training for staff to ensure client data is captured appropriately. Also recognizing the special needs of the population, the project is in the planning stages of lowering case management ratios to allow providers to deliver better services. Additional funding was provided to increase clinical staffing for service providers so that each provider can now access the resources of a psychiatrist assigned to the program who is able to address medication issues, provide added insight into clients' needs, and help program staff in the development and delivery of treatment. The program has 97 active clients, all of whom have moved into their permanent supportive housing.

Ventura County

Ventura County PFS Project officially launched in October 2017. Several challenges impacted the project's growth and momentum during the past year. The unanticipated rotation of staff working with the project caused a need for additional training to improve and increase referrals made to the program. Additionally, the Thomas Fire in Ventura created a temporary lag in the program's progress as county resources were redirected to address the emergency needs of the community. These developments resulted in a few months of reduced activity and a delay of referrals into later months.

Despite these challenges the Ventura County's PFS Project enrolled 71 clients which represents 98 percent of their goal for year two of the grant. The target was achieved by the project service provider's ability to enroll a high percent of clients that were randomized and referred to the program. To address the concerns about referral rates,

the project received supplemental funding from the Non-Profit Financing Fund and Irvine Foundation to place an additional Deputy Probation Officer in the county jail for screening, educating, and encouraging potential clients to opt-in to the program. This has been successful in increasing referral levels.

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 used, leading steering committees, and ongoing technical assistance.

TABLE III

County	Intermediary(s)
Alameda County PFS Project	Third Sector Capital Partners
Los Angeles County PFS Project	Corporation for Supportive Housing and the National Council on Crime and Delinquency have entered into agreements with one another to form a Special Purpose Vehicle (called JIR PFS LLC) which serves as the intermediary for the project.
Ventura County PFS Project	Social Finance, Inc.

Investors

In year two the projects have continued their efforts to identify and secure investment funding.

The Alameda County PFS Project received approximately \$700,000 in grants from the Nonprofit Finance Fund and Irvine Foundation to support pilot and ramp up periods. A contract with the Reinvestment Fund for approximately \$1,190,000 is currently being negotiated to fund the costs of the formal project period which is expected to launch in August 17, 2018.

The Los Angeles County PFS Project finalized contracts with the Conrad Hilton Foundation and the United Health Group totaling \$10 million in investor funds. They also received funding from the Nonprofit Finance Fund and Irvine Foundation to assist with the pilot period before deal structuring was complete.

The Ventura County PFS Project finalized agreements with several investors which include the Reinvestment Fund, Nonprofit Finance Fund, Whitney Museum of American Art, Social Finance Fund, Blue Shield Foundation Grant and Interface Children and

Family Services totaling approximately \$2,500,000. As part of its capital raising activities, the Intermediary, Social Finance, established the Social Finance Ventura County Project to Support Reentry LLC (“Support Reentry LLC”) to hold investor funds and outcome payments. Pursuant to their PFS Agreement, the county makes outcome payments to Support Reentry LLC; in turn, the LLC disburses outcome payments to lenders pursuant to financing documents/agreements.

Evaluators and Evaluation Plan

At the end of year two all three projects had contracts in place with independent evaluators. The scopes of work vary from project to project and include responsibilities such as: 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.

Alameda County

Alameda County PFS Project evaluator, WestEd, completed an initial subcontract agreement with a scope of work for planning and development activities, including the Pilot Period (9/15/17 to 12/31/17) and Ramp-up Period (3/22/18 to 5/29/18). An updated, multi-year subcontract agreement is currently being developed through March 2022 with a scope of work focused on the randomized control trial evaluation that the evaluator will conduct to assess total program effectiveness and outcome payments for the funder.

The Alameda County PFS Project evaluator will use an individual-level randomized controlled trial to evaluate the effectiveness of the program. The evaluator will randomly assign each eligible participant into the participant group or control group. The participant group will participate in project services; the control group will be a business as usual condition and will continue to receive services typically provided for the re-entry population in the county. The evaluator will conduct the randomization, and the service provider will receive names of individuals randomized into the participant group to complete enrollment. The evaluator will track outcomes of participants an additional observation period of approximately one-year after the 18-month service delivery period.

The Alameda PFS Project is designed to evaluate whether outcomes for participants can be improved by the way they are engaged and supervised. Individuals eligible for randomization for participation in the program must meet all the following eligibility requirements:

- a) The individual is charged with, or convicted of, a felony listed on the Eligible Crimes List (1170(h) crimes with several additions consistent with the spirit of Realignment Act) and/or a felony probation violation based on a crime, rather than a technical violation filed by Probation;
- b) The individual has previously been convicted of a felony at least once;

c) The individual is 18-34 years old (inclusive) at the time his/her eligibility is reviewed; and

d) The individual lives in, or has substantial contact with, Alameda County, such that he/she has access to provided and available services

Los Angeles County

The Los Angeles County's PFS Project executed a contract with their evaluator, the RAND Corporation, in July 2017. The RAND Corporation will validate success payment calculations made by the intermediary to determine the amount of money that investors should receive. Success will be measured looking at the following metrics for participants assessed as suitable for the program by clinicians within the jail setting:

a) Housing retention (at six months and twelve months); and

b) Number of arrests (using two-year period following placement into permanent supportive housing)

The first success payment made to investors will be triggered by six months housing stability. The base case for six months housing stability rates is 92 percent, and 90 percent at twelve months. For arrests, there is a set payment for each housing slot, with the highest amount paid for a client who had zero arrests, lesser payments for one or two arrests respectively, and no payment for a slot that resulted in three or more arrests.

In an analysis separate from the success payment calculations, the RAND Corporation will also conduct a broader impact analysis to determine the impact of intervention provided on service utilization patterns (the rate at which participants are utilizing County funded services across a range of County Departments). This analysis will look at outcomes for two years post-housing.

Ventura County

The Ventura County PFS Project finalized a contract with the University of California, Los Angeles in July 2017 for their project evaluation. The project is implementing a randomized control trial. The objective is to understand the impact of a set of re-entry services delivered by the service provider versus "business as usual" services. The project partners collect data on each participant's performance and a protocol has been developed for data sharing. The goal is to have an accurate and comprehensive evaluation of the outcomes, so the county can decide whether to continue its investment in this program after the grant period is completed. There are two main performance measures:

a) Individual "clean quarters" (i.e., no arrests); and

b) Total re-arrests for the measurement period

Clean quarter outcomes will be measured for each participant beginning with the first quarter after his or her randomization date through the following 18-month period. Total

re-arrests measurement begins after the end of the fourth quarter after the service commencement date and continues each quarter thereafter.

The Ventura County PFS Project evaluator will calculate the individual re-arrest outcome for each sample population member who has completed their individual outcome measurement period. An individual re-arrest outcome will consist of two measurements: 1) each applicable sample population member's total number of arrests; and 2) whether or not an applicable sample population member is arrested one or more times for a new crime during his or her individual outcome measurement period. The County considers the project a success if at least a 5 percent relative reduction in recidivism is achieved when compared to the control group.

At the end of year two the Ventura County PFS Project evaluator had produced two clean quarters outcome reports which triggered the first outcome payments (repayment of investor funds) for the project.

Service Providers and Service Delivery

All three projects have identified the service providers needed to launch their programs and have contracts in place. All projects have tested their service delivery systems in demonstration, pilot and ramp-up periods.

Alameda County

Alameda County Pay for Success Grant is contracting with La Familia Counseling Services which has been directly engaged in designing the referral, enrollment, and service delivery components of the project in coordination with county and other project partner staff. The organization is currently increasing hiring to prepare for full staffing post launch. La Familia is a peer-based program designed to connect individuals to a mentor who has similar lived experiences to PFS participants (a "Coach") and has experienced incarceration and/or substance abuse directly or through a family member.

Eligibility is determined by the District Attorney's Office. Referred individuals are then randomized by the evaluator into a control group or participant group so that plans for initial contact with potential participants can be made and the enrollment process coordinated. The service provider will contact the potential participants while in custody and complete enrollment into the program. Once enrollment is complete services and interventions may include:

- Consistent Outreach and Follow-up
- Service Linkage & Navigation Support
- Intensive Case Management
- Individual, Group, and Family Therapy
- Evidence-Based Techniques to Enhance Intrinsic Motivation
- Substance Use Disorder (SUD) Treatment
- Incentives and Benefits

Los Angeles County

In the Los Angeles County PFS Project, intensive case management providers work with participants while they are still incarcerated and connect them to interim housing immediately upon release from jail and then, as available, on to permanent supportive housing. Once the participant is housed, the original jail-in-reach service provider will continue to provide intensive case management.

The referral process begins with clinicians within the jails assessing participants for suitability. Once a participant is referred to an intensive case manager provider, the provider conducts other assessment to determine the most appropriate housing intervention for a client as well as other needs which may include services for:

- Intensive Case Management
- Cognitive Behavioral Therapy
- Substance Use Disorder Treatment
- Vocational and Employment Services
- Individual, Group, and Family Therapy
- Relentless Life Coaches

Service providers who provide the above services include: Volunteers' of America, Amity Foundation, Project 180, and the People Concern. Permanent supportive housing is provided through the County's Flexible Housing Subsidy Pool which is operated by Brilliant Corners and provides housing location services, on-going rental subsidy payments, and housing retention services.

Ventura County

The Ventura County PFS Project finalized a contract in July 2017 with Interface Children & Family Services (Interface) to provide individualized case management and a suite of evidence-based services to adult probationers in the program. All staff positions were filled, and service delivery officially began in October 2017.

Ventura County Probation Officers trained in the assessment process, determine the eligibility of potential participants and then randomize the individuals into a control or participant group. Participants are referred directly to Interface for services.

The types of services and interventions provided include:

- Case Management
- Trauma Focused Cognitive Behavioral Therapy
- Moral Reconciliation Therapy
- Triple P Parenting
- Prevention and Relationship Enhancement Program
- Motivational Interviewing

Program Participant Information

Alameda County

Alameda County PFS Project service provider, La Familia, enrolled and actively served 12 clients during the pilot period (9/15/17 to 12/31/17), and enrolled and actively served and additional 12 individuals during the Ramp-up Period (3/22/18 to 5/29/18). During year two these individuals received approximately 600 hours of services (96 hours of intake services and 504 hours of case management/service delivery.) In the months ahead, these individuals will continue to receive services however, will not be counted in the outcome data once the program formally launches in August 2018.

Los Angeles County

Since the program's official launch in launch in October 2017, the Los Angeles County PFS Project has assessed 103 participants as eligible for enrolment in the program by clinicians in the Los Angeles County Jail. Of this amount, six were dropped from the program due to reincarceration. The remaining 97 are active participants and all have been placed in permanent housing and are receiving services.

Prior to the PFS Project award in May 2015, a demonstration project was conducted in Los Angeles County from January 2015 to December 2015. The demonstration project served approximately 235 participants who were released from jail and deemed eligible to participate in the program. Of these 158 were formally connected to "bridge" or permanent supportive housing.

Ventura County

The Ventura County PFS Project has enrolled and is providing services to 71 participants since officially launching the program in October 2017. During this period, 41 hours of group intervention/treatment and 554 hours of individual case management/clinical services have been provided to participants.

Cost-Effectiveness

The Alameda County PFS Project will measure the cost-effectiveness of avoided sentences that result from enrollment in the program (as compared to the control group). The Harvard Government Performance Lab, who is providing technical assistance to the project, drafted a cost analysis analyzing the marginal cost of jail time (including healthcare, food, clothing, bedding, and transportation) which will be used to help determine cost-effectiveness for the Alameda County PFS Project.

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 as available.

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. The project plans to develop additional related cost-benefit measures in year three of the program, when recidivism data becomes available.

Involvement of the Affected Community

In the Alameda County PFS Grant Project, community involvement in the development phase has primarily come through the service provider who provides direct services to the affected community members. Many of the service provider's frontline staff are prior clients and/or have lived experience with incarceration. The project is committed to empowering staff members to use their experiences to shape the direction and implementation of programs.

The Los Angeles County PFS Project is guided by a steering committee that meets bi-monthly and includes members who have experienced homelessness and incarceration. The project employs service providers that have life experiences in these areas as well.

Ventura County PFS Project has conducted two Reentry Community Forums to gain community input to both strengthen and expand the service provider's main treatment model Core 4 Success. In addition to community engagement related to the Core 4 Success, the project anticipates conducting in-person discussions with participants about project services during the next program year.

Recidivism Reduction

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

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	For success/failure in the project, an arrest in California counts as recidivism
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

At the end of the second year of the project, two of the three projects completed pre-launch activities and have moved into full implementation. A third project anticipates an official launch date in August 2018. As is evident, the ramp-up period required to formally launch program operations extended far beyond the six months initially scheduled for all three projects. Raising investor funding, negotiating the financial model, and establishing the criteria and metrics upon which success payments has continued into year-two and has impacted the ability of the PFS projects to begin providing services. All projects have now tested service delivery and referral systems and have solid partnerships in place to support their projects. In the year ahead, the projects will focus on improving and adjusting program operations and infrastructure to maximize outcomes and achieve the successful results anticipated.

The California Pay for Success Initiative, funded by the James Irvine Foundation and implemented by Nonprofit Finance Fund, has provided flexible funding in the form of grants to all three all three BSCC selected projects. This funding supported pre-launch and ramp-up period activities while project partners worked on the lengthy and complex process raising investor funds and negotiating contracts. This funding has also supported unanticipated areas of need identified by the projects such as additional staffing.

As in year one, the Harvard Government Performance Lab offered technical assistance to all PFS grantees in year-two. The Alameda County PFS Project requested and received technical assistance in both years. Staff from the Harvard Government Performance Lab report that assistance has been needed only sporadically during year-two and has been primarily in the form of providing of ad hoc meetings or phone calls once every several weeks rather than a sustained engagement over the entire period. Technical assistance provided by the Harvard Government Performance Lab throughout the second year to the Alameda County PFS Project included the following activities:

- Assistance in final contract negotiations
- Consultation on the evaluation plan
- Preparation of materials for discussion with funders
- Cost-effectiveness analysis

Conclusion:

It is anticipated that in year three all three projects will be fully operational, and the results of targeted outcomes will begin to be realized. The third Annual Legislative Report will be submitted to Governor and the Legislature in October of 2019. For additional information, please contact Colleen Stoner at (916) 324-9385, 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

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.