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**SUBSTITUTE HOUSE BILL 2337**

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**State of Washington**

**63rd Legislature**

**2014 Regular Session**

**By** House Early Learning & Human Services (originally sponsored by Representatives Zeiger, Kagi, Magendanz, Sawyer, Jinkins, Parker, Walsh, Morrell, Farrell, Hayes, Kochmar, Freeman, Walkinshaw, Roberts, Clibborn, Dahlquist, Orwall, Tharinger, Habib, Robinson, and Goodman)

READ FIRST TIME 02/03/14.

1       AN ACT Relating to public-private financing for prevention-focused  
2 social services and health care services; adding a new section to  
3 chapter 42.52 RCW; and creating new sections.

4 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF WASHINGTON:

5       NEW SECTION.   **Sec. 1.** (1) The legislature finds that there are  
6 many prevention-focused social service programs and services for health  
7 care that demonstrably result in positive impacts for individuals and  
8 families that are cost-beneficial and that efficiently utilize  
9 government resources. However, because government resources are  
10 limited, the state is often unable to fund these programs or services.

11       (2) The legislature also finds that new, innovative financing  
12 models, such as social impact bonds, are emerging, and these new models  
13 allow the upfront investment of funds from nongovernment entities.  
14 These upfront investments provide financing needed to provide  
15 prevention-focused programs and services. These new, innovative  
16 financing models provide an opportunity for governments to shift away  
17 from a model of paying service providers for a defined quantity of  
18 services to a model where providers are paid only upon the successful  
19 achievement of agreed-upon financial and social outcomes.

1 (3) The legislature further finds that pay for success contracts  
2 encourage partnerships between public, private, and philanthropic  
3 sectors, emphasize accountability in the rendering of services, and  
4 encourage the use of sophisticated program evaluations.

5 (4) The legislature intends to establish the Washington social  
6 investment steering committee to develop and monitor the implementation  
7 of at least one pilot program, financed by social impact bonds or other  
8 public-private financing models, which delivers prevention-focused  
9 services in areas such as early childhood development, child welfare,  
10 mental health, juvenile justice, public assistance, or other identified  
11 social or health care services.

12 NEW SECTION. **Sec. 2.** (1) The Washington social investment  
13 steering committee is established. The steering committee shall be  
14 composed of fourteen members, as identified in subsection (2) of this  
15 section.

16 (2)(a) The president of the senate shall appoint one member from  
17 each of the two largest caucuses of the senate.

18 (b) The speaker of the house of representatives shall appoint one  
19 member from each of the two largest caucuses of the house of  
20 representatives.

21 (c) The president of the senate and the speaker of the house of  
22 representatives shall jointly appoint the following members:

23 (i) Two representatives from the office of financial management to  
24 address policy and fiscal issues, respectively;

25 (ii) One representative from the largest Washington union  
26 representing state employees;

27 (iii) One representative from the office of the state treasurer;

28 (iv) One representative from the Washington state institute for  
29 public policy;

30 (v) One representative from a community development financial  
31 institution;

32 (vi) An expert in econometrics analysis and evaluation;

33 (vii) One representative from an entity that invests  
34 philanthropically;

35 (viii) One representative from the University of Washington  
36 evidence based practice institute;

37 (ix) One representative from a direct service provider; and

1 (x) One consultant with knowledge and expertise in social impact  
2 bonds.

3 (d) The cochairs of the steering committee shall be two legislative  
4 members, one from the house of representatives and one from the senate.  
5 The cochairs shall be from different caucuses. The cochairs shall  
6 determine the meeting schedule for the steering committee.

7 (e) Members of the Washington social investment steering committee  
8 and the organizations they represent are excluded from providing  
9 services or training in pilot programs implemented pursuant to this  
10 section. Members of the committee and their organizations may assist  
11 in the evaluation of the pilot programs if their participation does not  
12 introduce any conflict of interest.

13 (f) The steering committee may establish technical advisory  
14 committees, as it deems necessary, and may consult with the relevant  
15 human services or other state agencies.

16 (g) The first meeting of the steering committee must occur no later  
17 than July 1, 2014.

18 (h) Staff support for the steering committee must be provided by  
19 senate committee services and the office of program research.

20 (i) Private funding or grants must be used to provide for  
21 facilitation and consulting services for the steering committee.

22 (3) No later than December 1, 2014, the steering committee shall  
23 develop an implementation plan for at least one pilot program that uses  
24 social impact bonds or other public-private financing mechanisms to  
25 finance and deliver prevention-focused social or health care services.  
26 The plan must include the following:

27 (a) Identification of the financing model to be used for the pilot  
28 program, including a description of the financial mechanism for any use  
29 of state funds and for obtaining private financing;

30 (b) Identification of target populations and services to be  
31 provided in the pilot programs;

32 (c) Identification of specific and measurable outcomes to be  
33 achieved in the pilot programs and establishment of baselines using  
34 historical administrative data;

35 (d) Identification of the process to measure the identified  
36 outcomes; and

37 (e) Legislative actions needed to implement the pilot program.

1 (4) No later than July 1, 2015, the office of financial management,  
2 or a state agency designated by the office of financial management,  
3 shall issue a request for proposal to implement the pilot programs  
4 described in subsection (3) of this section.

5 (5) The pilot programs identified in subsection (3) of this section  
6 must be implemented no later than January 1, 2016.

7 (6) No later than December 1, 2015, the steering committee must  
8 provide a report to the legislature and the governor summarizing the  
9 work of the committee.

10 (7) Beginning December 1, 2016, and annually throughout the  
11 duration of the pilot programs, the steering committee must provide a  
12 report to the legislature and the governor regarding the implementation  
13 of the pilot programs and any recommendations for expanding the  
14 utilization of social impact bonds or other public-private financing  
15 mechanisms to finance and deliver prevention-focused social or health  
16 care services.

17 NEW SECTION. **Sec. 3.** A new section is added to chapter 42.52 RCW  
18 to read as follows:

19 When soliciting gifts, grants, or donations solely for the limited  
20 purpose of facilitation, consultation, or providing expertise to  
21 further the Washington social investment steering committee's duties as  
22 provided in section 2 of this act, state officers, legislative  
23 officers, and state employees are exempt from the laws of this chapter.

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