
SUBSTITUTE HOUSE BILL 1501

State of Washington

64th Legislature

2015 Regular Session

By House Early Learning & Human Services (originally sponsored by Representatives Zeiger, Kagi, Magendanz, Muri, Walkinshaw, Walsh, Ryu, Robinson, Hayes, Stokesbary, Gregerson, Condotta, Sawyer, Jinkins, Farrell, Senn, Appleton, Goodman, and McBride)

READ FIRST TIME 02/20/15.

1 AN ACT Relating to public-private financing for prevention-
2 focused social services; adding a new section to chapter 43.41 RCW;
3 and creating a new section.

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-based social service programs and services that
7 demonstrably result in positive impacts for individuals and families
8 that are cost-beneficial and that efficiently utilize government
9 resources. However, because government resources are limited, the
10 state is often unable to fund these programs or services.

11 (2) The legislature also finds that new, innovative financing
12 models, such as pay-for-success initiatives, are emerging, and these
13 new models allow the upfront expenditure of private funding by
14 nongovernmental entities. These contracts with private entities for
15 upfront investments allow the public to benefit from prevention-
16 focused programs and services while shifting the risk of these
17 innovative programs to private investors. In addition, these
18 innovative financing models provide an opportunity for governments to
19 move away from a model of paying service providers for a defined
20 quantity of services to a model where investors are reimbursed by the

1 state only upon the successful completion of agreed-upon financial
2 and social outcomes stemming from the social service intervention.

3 (3) A pay-for-success contract is an agreement between a
4 government entity, an investor, and a social service provider. Under
5 this contract, an investor pays for a social service that targets a
6 specific population, with designated outcomes that must be achieved.
7 The government entity will then pay the investor an amount specified
8 in the contract only if the designated outcomes are met.

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

13 (5) The legislature intends to provide a state-level framework
14 for pay-for-success contracts if nonstate moneys are available. This
15 framework is intended to support the implementation of pay-for-
16 success contracts if federal or philanthropic funds are available.
17 The legislature does not intend that any state moneys be provided for
18 pay-for-success contracts.

19 NEW SECTION. **Sec. 2.** A new section is added to chapter 43.41
20 RCW to read as follows:

21 (1) As used in this section:

22 (a) "Intervention" means a social service intervention that could
23 involve maternal or child health, early childhood education, juvenile
24 justice, homelessness, or child welfare areas.

25 (b) "Investor" means a private person or entity that pays for an
26 intervention under a contract with the office.

27 (c) "Payment" means nonstate moneys paid to an investor if the
28 intervention meets the performance measures and outcomes agreed to in
29 the contract and as determined by a third-party evaluator.

30 (d) "Provider" means a social service provider that delivers the
31 intervention.

32 (2) Upon receipt of sufficient nonstate funds as identified in
33 subsection (7) of this section, the office is authorized to procure
34 and enter into a multiyear pay-for-success contract with an investor
35 or investors and a provider. This pay-for-success contract must
36 require that the investor finance an intervention as described in
37 this section. The office shall designate performance measures and
38 outcomes related to the prevention of homelessness and interaction
39 with justice systems. Subject to this section and the terms of the

1 pay-for-success contract, the investor or investors must receive a
2 payment from the office at the end of the contract term if the
3 intervention meets the performance measures and outcomes agreed to in
4 the contract and as determined by a third-party evaluator.

5 (3) The resulting contract must include: (a) A requirement that a
6 substantial portion of the payment be conditioned on meeting specific
7 outcomes based on specified performance measures; (b) a requirement
8 that no more than five million dollars may be spent by the investor
9 on the social service intervention; (c) that any future payment to an
10 investor cannot exceed ten million dollars; and (d) an objective
11 process by which an independent evaluator must determine whether the
12 performance targets are met. The term of this contract may not exceed
13 four years. The office shall consult with the institute for public
14 policy and the department of social and health services in reviewing
15 and selecting the resulting contract.

16 (4) Clearly defined, measurable performance targets for the
17 social service intervention must be identified by the office in
18 consultation with the institute for public policy and the department
19 of social and health services. At a minimum, these outcome measures
20 demonstrate decreased recidivism rates among participants. Upon
21 completion of the intervention identified in the pay-for-success
22 contract, but before the end of the contract term, the intervention
23 participants must be monitored by the independent evaluation for a
24 period of time to identify whether the intervention met the
25 performance targets.

26 (5) The office, in consultation with the institute for public
27 policy and the department of social and health services, shall
28 estimate the savings to the general fund resulting from the
29 intervention meeting the performance targets established under
30 subsection (4) of this section. The office, in consultation with the
31 institute for public policy and the department of social and health
32 services, shall develop a methodology for calculating the savings.
33 The projected savings resulting from achievement of the performance
34 targets must be used to determine the payment provided to the
35 investor in the pay-for-success contract if the performance targets
36 are met.

37 (6) Pursuant to the terms of the contract and this section, the
38 office shall provide a payment to the pay-for-success investor upon
39 completion of the pay-for-success contract and after a determination

1 is made by an independent evaluator that the identified performance
2 targets were achieved.

3 (7) No state moneys may be used to procure, manage, or make
4 payments related to the pay-for-success contracts authorized in this
5 section. The office shall determine if and when they have secured
6 sufficient nonstate moneys to procure, manage, and make payments
7 related to the pay-for-success contracts. Authorization for the
8 office to procure, manage, or make payments related to the pay-for-
9 success contracts in this section is contingent upon securing
10 sufficient nonstate moneys to execute and carry out the pay-for-
11 success contracts.

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