

---

HOUSE BILL 1501

---

State of Washington

64th Legislature

2015 Regular Session

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 01/21/15. Referred to Committee on Early Learning & Human Services.

1 AN ACT Relating to public-private financing for prevention-  
2 focused social services; adding a new section to chapter 43.41 RCW;  
3 adding a new section to chapter 43.180 RCW; and creating a new  
4 section.

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

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

12 (2) The legislature also finds that new, innovative financing  
13 models, such as pay-for-success initiatives, are emerging, and these  
14 new models allow the upfront expenditure of private funding by  
15 nongovernmental entities. These contracts with private entities for  
16 upfront investments allow the public to benefit from prevention-  
17 focused programs and services while shifting the risk of these  
18 innovative programs to private investors. In addition, these  
19 innovative financing models provide an opportunity for governments to  
20 move away from a model of paying service providers for a defined  
21 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 NEW SECTION. **Sec. 2.** A new section is added to chapter 43.41  
14 RCW to read as follows:

15 (1) As used in this section:

16 (a) "Intervention" means a social service intervention for  
17 sixteen to twenty year old youth exiting a juvenile rehabilitation  
18 institution who are at risk of reentering a criminal justice system  
19 or homelessness that provides supportive housing to these individuals  
20 and additional support services that could include services related  
21 to employment, education, cognitive behavioral treatment, substance  
22 abuse treatment, or mental health treatment.

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

25 (c) "Provider" means a social service provider that delivers the  
26 intervention.

27 (2) The office is authorized to procure and enter into a  
28 multiyear pay-for-success contract with an investor or investors and  
29 a provider. This pay-for-success contract must require that the  
30 investor finance an intervention as described in this section. The  
31 office shall designate performance measures and outcomes related to  
32 the prevention of homelessness and interaction with justice systems.  
33 Subject to this section and the terms of the pay-for-success  
34 contract, the investor or investors must receive a payment from the  
35 office at the end of the contract term if the intervention meets the  
36 performance measures and outcomes agreed to in the contract and as  
37 determined by a third-party evaluator.

38 (3) The resulting contract must include: (a) A requirement that a  
39 substantial portion of the payment be conditioned on meeting specific

1 outcomes based on specified performance measures; (b) a requirement  
2 that no more than five million dollars may be spent by the investor  
3 on the social service intervention; (c) that any future payment to an  
4 investor from the state cannot exceed fifty percent of the projected  
5 savings based on implementation of the intervention; and (d) an  
6 objective process by which an independent evaluator must determine  
7 whether the performance targets are met. The term of this contract  
8 may not exceed four years. The office shall consult with the  
9 institute for public policy and the department of social and health  
10 services in reviewing and selecting the resulting contract.

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

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

32 (6) If the office is unable to identify an investor or investors  
33 for a pay-for-success contract, the office may enter into a contract  
34 with the housing finance commission to identify an investor or  
35 investors.

36 (7) Pursuant to the terms of the contract and this section, the  
37 office shall provide a payment to the pay-for-success investor upon  
38 completion of the pay-for-success contract and after a determination  
39 is made by an independent evaluator that the identified performance  
40 targets were achieved.

1        NEW SECTION.    **Sec. 3.**    A new section is added to chapter 43.180  
2    RCW to read as follows:

3        The commission is authorized to enter into an agreement with the  
4    office of financial management to find an investor or investors to  
5    finance a social service intervention as described in section 2 of  
6    this act. The housing finance commission may charge a reasonable fee  
7    for the services rendered to identify an investor or investors for  
8    the pay-for-success contract.

--- END ---