



Senate

General Assembly

File No. 783

January Session, 2013

Substitute Senate Bill No. 854

Senate, May 9, 2013

The Committee on Appropriations reported through SEN. HARP of the 10th Dist., Chairperson of the Committee on the part of the Senate, that the substitute bill ought to pass.

AN ACT CONCERNING SOCIAL INNOVATION INVESTMENT.

Be it enacted by the Senate and House of Representatives in General Assembly convened:

1 Section 1. Section 4-68aa of the general statutes is repealed and the
2 following is substituted in lieu thereof (*Effective July 1, 2014*):

3 (a) As used in this section:

4 (1) "Savings" means a reduction in state expenditures, as such
5 expenditures are defined in an outcome-based performance contract;

6 [(1)] (2) "Secretary" means the Secretary of the Office of Policy and
7 Management, or the secretary's designee;

8 [(2)] (3) "Social innovation investment enterprise" means an entity
9 created to coordinate the delivery of preventive social programs by
10 nonprofit service providers, which has the capability of creating a
11 social investment vehicle, entering into outcome-based performance
12 contracts and contracting with service providers;

13 [(3)] (4) "Social investment vehicle" means an investment product
14 established by a social innovation investment enterprise to raise
15 private investment capital; and

16 [(4)] (5) "Outcome-based performance contract" means a contract
17 entered into between the secretary and a social innovation investment
18 enterprise that establishes outcome-based performance standards for
19 preventive social programs delivered by nonprofit service providers
20 and provides that investors in any social investment vehicle shall
21 receive a return of their investment and earnings thereon only if
22 outcome-based performance standards are met by the social
23 innovation investment enterprise.

24 (b) The secretary may, subject to the legislative review process set
25 forth in subsection (d) of this section, enter into an outcome-based
26 performance contract with a social innovation investment enterprise
27 [for the purpose of accepting a United States Department of Justice
28 fiscal year 2012 Second Chance Act Adult Offender Reentry Program
29 Demonstration Category 2 Implementation grant. The outcome-based
30 performance contract between the secretary and a social innovation
31 investment enterprise may provide for payments from the social
32 innovation account, established pursuant to subsection (d) of this
33 section, to the social innovation investment enterprise or to investors
34 or to both] based on a written proposal deemed sufficient by the
35 secretary that demonstrates savings will be generated by the social
36 innovation investment enterprise through the accelerated delivery of
37 preventive social programs within the state.

38 (c) Any outcome-based performance contract entered into by the
39 secretary, pursuant to the provisions of this section, shall include, but
40 not be limited to, requirements that: (1) Payment be conditioned on the
41 achievement of specific, quantifiable outcomes based on defined
42 performance benchmarks; (2) returns on investment be calculated on
43 an ascending scale based upon achievement of specific, quantifiable
44 performance benchmarks; (3) nonprofit service providers which
45 deliver services as part of such contract receive a percentage of any

46 return on investment; (4) an objective process be established by which
47 an independent evaluator shall determine whether the performance
48 benchmarks have been achieved; (5) a calculation be completed of the
49 amount and timing of payments that would be earned by nonprofit
50 service providers during each year of the contract if performance
51 benchmarks are achieved as determined by an independent evaluator;
52 and (6) a fiscal analysis be completed by the secretary as to projected
53 savings in specific governmental service areas related to achievement
54 of specific, quantifiable performance benchmarks.

55 (d) Prior to entering into an outcome-based performance contract
56 with a social innovation investment enterprise, the secretary shall
57 request approval of such contract by the joint standing committees of
58 the General Assembly having cognizance of matters relating to human
59 services and appropriations and the budgets of state agencies. Each
60 joint standing committee shall have thirty days from the date such
61 request is received to convene a meeting to vote to approve or
62 disapprove such contract. If such contract proposal is altered,
63 amended or otherwise changed, the secretary shall resubmit such
64 request, and each joint standing committee shall have thirty days from
65 the date of such resubmittal to convene a meeting to vote to approve or
66 disapprove such action. If a joint standing committee does not act on
67 the initial request or the resubmittal of a request within the specified
68 time frame the request shall be deemed to be approved by the
69 committee. If such joint standing committees do not concur, the joint
70 standing committee chairpersons shall appoint a committee of
71 conference which shall be composed of three members from each joint
72 standing committee. At least one member appointed from each joint
73 standing committee shall be a member of the minority party. The
74 report of the committee of conference shall be made to each joint
75 standing committee, which shall vote to accept or reject the report. The
76 report of the committee of conference may not be amended. If a joint
77 standing committee rejects the report of the committee of conference,
78 that joint standing committee shall notify the secretary of the rejection
79 and the contract proposal shall be deemed approved. If the joint
80 standing committees accept the report, the committee having

81 cognizance of matters relating to appropriations and the budgets of
 82 state agencies shall advise the secretary of the approval, denial or
 83 modifications, if any, of the contract proposal. If the joint standing
 84 committees do not so advise the secretary during the thirty-day period,
 85 the contract proposal shall be deemed rejected.

86 [(c)] (e) The secretary shall comply with the provisions of section 4e-
 87 16 relating to privatization contracts when entering into an outcome-
 88 based performance contract with a social innovation investment
 89 enterprise pursuant to this section.

90 [(d)] (f) There is established an account to be known as the "social
 91 innovation account" which shall be a separate, nonlapsing account
 92 within the General Fund. The account shall contain any moneys
 93 required by law to be deposited in the account. Any interest accruing
 94 to the account shall be credited to the account. Moneys may be
 95 transferred to the account from the General Fund. [Moneys in the
 96 account shall be expended by the Secretary of the Office of Policy and
 97 Management for the purposes of facilitating the reentry of moderate
 98 and high-risk offenders into the community.] Moneys in said account
 99 may be used to provide payments to the social innovation enterprise,
 100 investors or both in accordance with the terms of an outcome-based
 101 performance contract. The secretary may apply for and accept gifts,
 102 grants or donations from public or private sources to enable the
 103 account to be a source of payments to investors purchasing interests in
 104 a social investment vehicle.

This act shall take effect as follows and shall amend the following sections:		
Section 1	July 1, 2014	4-68aa

Statement of Legislative Commissioners:

In section (1)(c)(2) "for the social innovation investment enterprise" was deleted for consistency with other provisions of the section; in section 1(f), new language was redrafted for consistency with other provisions of the subsection.

HS *Joint Favorable Subst. C/R*

APP

APP *Joint Favorable Subst.*

The following Fiscal Impact Statement and Bill Analysis are prepared for the benefit of the members of the General Assembly, solely for purposes of information, summarization and explanation and do not represent the intent of the General Assembly or either chamber thereof for any purpose. In general, fiscal impacts are based upon a variety of informational sources, including the analyst's professional knowledge. Whenever applicable, agency data is consulted as part of the analysis, however final products do not necessarily reflect an assessment from any specific department.

OFA Fiscal Note

State Impact: See Below

Municipal Impact: None

Explanation

The bill 1) allows the Office of Policy and Management (OPM) to enter into a contract with any social investment enterprise; 2) allows funds from the social innovation account, a nonlapsing General Fund account, to be used to pay these enterprises; 3) establishes criteria that such contract must meet; and 4) requires legislative approval for such contract.

There is a cost associated with expanding the potential use of funds from the social innovation account. Payments to social investment enterprises are conditioned on the achievement of specific, quantifiable outcomes. Accordingly, any cost to the account would vary based on the number of contracts entered into that result in payments to social enterprises.

The Out Years

The annualized ongoing fiscal impact identified above would continue into the future subject to the number of contracts entered into that result in the achievement of specific, quantifiable outcomes.

OLR Bill Analysis**sSB 854*****AN ACT CONCERNING SOCIAL INNOVATION INVESTMENT.*****SUMMARY:**

This bill allows the Office of Policy and Management (OPM) secretary or his designee, with legislative approval, to enter into a contract with a social investment enterprise based on a written proposal that (1) the secretary deems sufficient and (2) demonstrates the enterprise will generate a reduction in state expenditures through the accelerated delivery of preventive social programs within the state. A social innovation enterprise is an entity created to coordinate preventive social service delivery by nonprofit service providers with the help of private investment. Currently, the secretary may, on his own, enter into such contracts for prison re-entry programs only.

The bill specifies what the contracts must contain, including benchmarks for measuring the enterprise's performance, and it sets up a process for obtaining legislative approval, which includes steps for when there is disagreement.

As a corollary, the bill eliminates the requirement that the OPM secretary use the social innovation account within the General Fund to facilitate reentry programs and instead allows monies from it to be used (presumably by the secretary) to provide payments to the enterprise, investors, or both in accordance with the contract terms.

CONTRACT REQUIREMENTS

The outcome-based performance contract must include requirements that:

1. payment be conditioned on the achievement of specific, quantifiable outcomes based on defined performance benchmarks;

2. returns on investment be calculated on an ascending scale based on achieving specific, quantifiable performance benchmarks;
3. nonprofit service providers that deliver services as part of such contracts receive a percentage of any return on investment;
4. an objective process be established for an independent evaluator to determine whether the enterprise achieves the performance benchmarks;
5. a calculation be completed of the amount and timing of payments that the nonprofit would earn during each year of the agreement if performance benchmarks were achieved, as determined by the independent evaluator; and
6. the OPM secretary complete a fiscal analysis of the projected savings in specific governmental service areas related to achieving the benchmarks.

LEGISLATIVE REVIEW PROCESS

Before he may enter into a contract, the secretary must obtain the Human Services and Appropriations committees' approval of it. If the proposal is altered, amended, or otherwise changed, the OPM secretary must submit a revised proposal. Each committee must convene a meeting to vote on the initial proposal within 30 days of receiving it or, if the proposal is revised, within 30 days of the resubmission. The request and contract proposal or revised contract proposal are deemed approved if either committee does not act on it within this timeframe.

If the committees disagree on the proposal, the committee chairpersons must appoint a six-member conference committee composed of three members from each committee. At least one member from each committee must be from the minority party. The conference committee must report to the standing committees, which must in turn vote to accept or reject, but not amend, the report. If one committee rejects the conference report, it must notify the secretary,

and the proposal is deemed approved. If both committees accept the report, the Appropriations Committee must advise the OPM secretary of the approval, denial, or any modifications of the contract proposal or revised proposal. If the committees do not advise the secretary during the 30 day period, the proposal is deemed rejected. (This appears to contradict the bill's provision that requires a proposal to be deemed approved if either committee does not act within the 30 day timeframe.)

BACKGROUND

Social Innovation Investment Enterprise

The law defines a social innovation investment enterprise as an entity created to coordinate the delivery of preventive social programs by nonprofit service providers that can (1) create a social investment vehicle to raise private investment capital, (2) enter into outcome-based performance contracts, and (3) contract with service providers.

Outcome-Based Performance Contract

An outcome-based performance contract is one between the OPM secretary and a social innovation enterprise. It (1) establishes outcome-based performance standards for preventive social programs delivered by nonprofit service providers and (2) guarantees investors a return of their investment and earnings only if the enterprise meets the standards.

COMMITTEE ACTION

Human Services Committee

Joint Favorable Substitute Change of Reference
Yea 18 Nay 0 (03/21/2013)

Appropriations Committee

Joint Favorable Substitute
Yea 52 Nay 0 (04/22/2013)