



Community Impact Strategies Ltd.
Box 411, New Haven, CT 06513

Human Services Committee

Public Hearing

Thursday, February 14, 2013

Written Testimony of Brian O'Shaughnessy in support of:

- S.B. 854 An Act Concerning Social Innovation Investment

Introduction

My name is Brian O'Shaughnessy. I am a principal in the firm Community Impact Strategies Ltd. ("CIS"). I am here to testify in support of S.B. 854 entitled "An Act Concerning Social Innovation Investment."

Connecticut Social Impact Bond Program

I am a member of the team that introduced the social impact bond program to Connecticut presently being considered by OPM. This program seeks to fund a comprehensive life skills and jobs-based reentry program with the distinct goal of reducing recidivism of the formerly incarcerated. While social impact bonds have received attention because they are funded by private "philanthropic investors" that can receive a modest return on investment-- in the event of verifiable savings to the state -- the truly exciting component of a social impact bond and other types of pay-for-success programs is that they require an intense and rigorous financial analysis of preventative social programs.

National Movements

I strongly support S.B. 854 because it will formally introduce into Connecticut the fiscal discipline of evaluating social service interventions to determine financial impact. In our world of recurring budget deficits, we need to divert our energies away from always trying to maintain traditional levels of funding for social services and examine what is being funded and what are the long term fiscal consequences of our programs. These types of social investments also leverage the collective impact that can be achieved by cooperation among the private sector, effective nonprofits and government.

There is a nascent national movement that seeks to quantify the economic benefit derived from the successful delivery of preventative social services. Not always identified by the same label, this movement presents itself in a variety of forms. New York, Massachusetts and the Federal Government have implemented a "pay-for-success" contracting structure that measures the results of delivering **preventative** social services in relation to workforce development, juvenile justice and homelessness. The Human Capital Performance Bonds from Minnesota are actual bonds issued by the state in contemplation of the savings to be generated by effective social services. The Washington State Institute for Public Policy has been conducting research for years to create data surrounding the ROI on a variety of social services. All of these programs are intensely focused on the financial benefits derived by a state when social services achieve specific defined outcomes.

On December 4, 2012, a conference at the Legislative Office Building in Hartford addressed trends in financing social services. My firm was one of the sponsors. A variety of topics and projects were discussed with a consistent financial

thread weaving throughout: Effective social services save government money and **preventative** social services save huge amounts of money.

Simply stated, the delivery, refinement and measurement of social services are central to a state's fiscal planning. A state is a contained fiscal entity. Policy decisions regarding what social services are delivered -- and when -- are as central to the fiscal health of a state as decisions regarding tax levels, economic development and building bridges.

We should redirect our budget focus from maintaining historical funding levels to how we can use our limited resources to address the underlying issues that cause us to increase spending each year? The good news is that we have many answers. Early childhood education has shown to dramatically reduce the need for more expensive special education programming later in life. Functional family therapy directs family members to counseling, substance abuse or educational programming or other supports. Treating the family as a "whole" has shown a return of over 300% because it diverts family members from a variety of other "services," especially the brutally expensive juvenile and adult criminal justice systems.

Conclusion

When a state prioritizes preventative social services to employ parents, divert juveniles from the criminal justice system, provide housing for the homeless or break the cycle of incarceration, the financial benefits to a state are **huge**. Successful service delivery for these issues transforms large populations from revenue negative to revenue positive. Beneficiaries stop costing the state money and become tax paying citizens who contribute to the social and economic health of the communities in which they live. While these positive outcomes hopefully make us feel good as human beings, in this challenged economic environment that is now the new normal, these social service decisions are economically necessary.

Thank you.

Brian O'Shaughnessy / **Community Impact Strategies Ltd.**
203.260.7170
communityimpactstrategies.com