

**Testimony before the Human Services Committee on SB 105: An Act Concerning
Social Innovation Investment**
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Good afternoon, Senator Slossberg and Representative Abercrombie, Senator Coleman and Rep. McGee, Rep. Cook, Rep. Stallworth, Rep. Miller and Rep. Bowles and the members of the Committee. My name is Liz Dupont-Diehl, and I urge you to consider and adopt wise legislation to allow Pay-for-Success financing.

Many of you know that I have worked in human services for more than a decade. I first became aware of Social Impact Bonds and Pay-for-Success Projects two years ago when I was Policy Director at CAHS, and since then I have also assisted in creating the CT Center for Social Innovation, working to ensure Connecticut benefits from these new models that are taking root around the country.

This whole field is only three years old and was born in England. Private investors are paying for services to prisoners that begin pre-release and follow people into the community, with the goal of avoiding further incarceration. Investors are paid back if and when agreed goals are achieved. **Government** pays only for services that are effective, after it has saved money by avoiding a negative cost. **Providers** receive stable funding over several years, and are at the same time incentivized and supported to continually monitor progress and make needed changes to ensure long-term goals are met. The model requires rigorous evaluation of a program's impact.

All parties are working together to continually solve problems at the population level - Turning the curve, as we say in RBA. This is now being applied in the US to early childhood, juvenile justice and health care – areas where effective services can be clearly shown to avoid a negative outcome.

I have liked this notion from the beginning and here is why: It offers much better structure for us all to provide **services that work** to address the very serious issues facing our communities and especially our cities. Many providers offer excellent services, but they are generally not supported to innovate when needed to respond to new knowledge or changing circumstances, and collectively we don't have a very good handle on what programs are really working to have the impact we want. People are better off every day for the services we provide. But we could be more effective if we could innovate and track people for longer.

Pay-for-Success is not going to replace our current funding systems anytime soon. That's okay, and it still offers us tremendous benefit. The key elements of Pay-for-Success are ones that all good providers

strive to attain and all good funders require: High quality preventative services and rigorous measurement of results – allowing for capturing the savings or avoided costs.

We know many services prevent future negative outcomes and costs. Early childhood? More evidence of the tremendous ROI every day. Workforce development? Take a 20-year-old person with no GED and get him a trade – clear and long-lasting savings and contributions to society. Preventing asthma in kids? Preventing homelessness with services safe and affordable housing? Providing education and training to nonviolent offenders succeed in the workforce instead of going back to jail? These are all things we know how to do. Pay-for-Success offers the resources and the rigor to do them well, prove they work, and bring the best to scale.

Private investment need not be forever. After the first successful projects these programs can show their value and become part of the system. Utilizing some Pay-for-Success financing will bring in needed resources, provide stable funding, allow for innovation, encourage better measurement and coordination of data across systems -- and show that these services work and should be receiving core government investment on an ongoing basis.

I want to suggest small changes to the bill, and offer food for thought for the nonprofit sector.

First, please make our legislation agnostic as to topic matter. Do not constrain Pay-for-Success financing to early childhood. Allow projects to be developed based on the best topic areas, promising programming and best knowledge and practices.

Secondly, I urge you to look at what has been called the “spillover benefits” of Pay-for-Success: better measurement of outcomes, support for providers and the state to follow clients and see what has been achieved and what that means across systems. Offer support and structure for nonprofits to be able to truly measure our outcomes and reward programs that do well.

In closing, let me say again that Pay for Success is not appropriate for all programming. It should never replace a society’s safety net and should be used only when there is no harm to people served, a defined population, clear savings, and strong and proven programming. But the evidence grows every day of the impact of early childhood education and other preventative services. Pay-for-Success allows us to apply what we know. It is not for everything, but where it is a good fit, it is one of the best prospects we have to turn the curve on poverty and other critical social issues.

Thanks for your time and I am happy to answer any questions.

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