
OLR Bill Analysis

sSB 105

AN ACT CONCERNING SOCIAL INNOVATION INVESTMENT.

SUMMARY:

This bill expands the state's authority to enter into an outcome-based performance contract with a social innovation investment enterprise (see BACKGROUND). By law, these contracts (1) establish outcome-based performance standards for preventive social programs delivered by nonprofit service providers and (2) guarantee investors a return of their investment and earnings if the enterprise meets the standards.

Current law allows the Office of Policy and Management (OPM) secretary or his designee to enter an outcome-based performance contract to accept a U.S. Department of Justice grant for a prisoner re-entry program in FY 12. (The state was not awarded the grant so the program was never implemented.) The bill instead allows the secretary to authorize any agency to enter into an outcome-based performance contract with a social innovation investment enterprise for the purpose of any type of preventive social program. In doing so, it appears to eliminate any grounds under which the OPM secretary may enter into such a contract.

Under the bill, the contract must be based on a written proposal that (1) the secretary deems sufficient and (2) demonstrates the enterprise will generate a reduction in state expenditures as they are defined in the contract through the accelerated delivery of preventive social programs within the state.

The bill specifies what must be included in the contracts and establishes procedures the secretary and authorized agencies must follow to enter them.

The bill also eliminates the requirement that the OPM secretary use the social innovation account within the General Fund to facilitate an offender reentry program. Instead, it allows the secretary and authorized agencies to use money from the account to provide payments to the social innovation enterprise, investors, or both in accordance with the contract terms.

EFFECTIVE DATE: July 1, 2014

OUTCOME-BASED PERFORMANCE CONTRACT

Contract Requirements

A contract authorized by the secretary must include:

1. payment based on reaching specific, quantifiable outcomes based on defined performance benchmarks;
2. an independent evaluator's objective determination that the performance benchmarks have been reached;
3. a calculation of the amount and timing of payments that a service provider would earn during each year of the agreement if the provider reaches performance targets as the independent evaluator determines;
4. a provision requiring the secretary or any agency he authorizes to request an appropriation for each fiscal year the contract is in effect equal to the expected amount the state would be obligated to pay based on service provided if performance targets are reached, for the nonlapsing social innovation account in the General Fund (it is not clear what would happen if targets are partially met or only some of the targets are reached); and
5. a fiscal analysis by the secretary or authorized agency of projected savings in specific governmental service areas related to achievement of specific, quantifiable performance benchmarks. (The bill defines neither "performance benchmark" nor "performance target" and appears to use the two terms interchangeably.)

Contract Summary Statement Requirements

The bill requires the secretary or any agency he authorizes, when considering whether to enter into a contract with an enterprise, to present a summary statement to the Human Services and Appropriations committees. The statement must include:

1. the policy areas the contract will address,
2. the social intervention service to be delivered (apparently, this means the “preventive social program to be delivered”),
3. a general description of performance metrics, and
4. a general savings estimate.

Executive Summary Requirements

After entering the contract, the secretary or the authorized agency must present to the same committees the contract’s terms and conditions, along with an executive summary of the agreement that includes:

1. the social innovation investment for which the parties entered the contract;
2. the performance measures being used;
3. a calculation of the amount and timing of payments the service provider will earn during each year of the agreement if it reaches performance targets as determined by the independent evaluator; and
4. projected (a) savings in specific governmental service areas related to reaching specific, quantifiable performance benchmarks and (b) appropriations necessary for fiscal years after the current biennium to fund the social innovation account.

Annual Committee Report

After entering the contract, the secretary or authorized agency must annually report on the contract’s status to the Human Services and

Appropriations committees during the contract period and within six months after it concludes. The report must include information on the:

1. nonprofit service provider's achievement of the benchmarks as determined by an independent evaluator;
2. social innovation investment enterprise's returns on investment; and
3. fiscal analysis of savings in specific government service areas related to achieving the benchmarks.

Privatization Contract Requirements

Under current law, when the secretary enters such a contract with a social innovation investment enterprise, he must comply with the law's requirements regarding privatization contracts (e.g., he must conduct a cost-benefit analysis and meet business case criteria). Under the bill, the secretary must instead require agencies to comply with those requirements (though presumably he must still comply with them as well.)

SOCIAL INNOVATION ACCOUNT

The law establishes a separate, nonlapsing social innovation account within the General Fund. Currently, the OPM secretary is authorized to use money from the account to facilitate reentry of moderate to high-risk offenders into the community. The bill instead allows the secretary or any agency he authorizes to use the funds for (1) payments to the social innovation enterprise, investors, or both, and (2) administrative costs related to an outcome-based performance contract.

The law allows the secretary to apply for and accept gifts, grants, or donations from public or private sources to enable the account to be a source of payments to investors purchasing interests in a social investment vehicle. The bill also allows any agency the secretary authorizes to do the same.

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 and 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.

COMMITTEE ACTION

Human Services Committee

Joint Favorable Substitute

Yea 17 Nay 0 (03/20/2014)