

Human Services Committee

Public Hearing

Thursday, February 20, 2014

LOB Hearing Room 2A

Written Testimony of Brian O'Shaughnessy in support of:

- S.B. 105: An Act Concerning Social Innovation Investment (to promote the well-being of vulnerable children via a social innovation enterprise grant)

Introduction and Support for the Present Bill

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. 105 entitled "An Act Concerning Social Innovation Investment."

I have been working to introduce the concept of social innovation financing into Connecticut for the past three years. During 2011, me and several other concerned citizens tried very hard to introduce a social impact bond program to finance a reentry program for the formerly incarcerated.

The goal was to generate short term savings by diverting program participants away from re-incarceration and long term savings by establishing protocols to reduce historically high rates of re-incarceration. A transaction was never consummated, however that initial effort resulted in the legislation that is sought to be amended with the present bill.

As an aside, I would add that the parties that we introduced to Connecticut three (3) years ago just announced a transaction in New York that will mobilize no less than \$25 million in an effort to transition the formerly incarcerated into tax paying citizens. At the core of the New York transaction is establishing the enormous financial upside achievable when revenue negative citizens (those in prison) become revenue positive tax payers. The U.S. Department of Labor is a partner in the New York transaction and has provided a \$12 million grant in support.

Since my involvement with the reentry program, I have become a member of a small but growing community that advocates for the financial and community benefits inherent in designing preventive social service programs. The social impact bond model has received a great deal of attention nationally because it uses private funds and has a feature for repayment to what can loosely be defined as "investors."

The investment feature has received too much attention, as the compelling feature of social innovation financing is that it (i) contains a rigorous measurement feature for social services and (ii) seeks to capture the economic benefits attached to improving human conditions. This tool has a wide variety of

applications in the fields of workforce development, juvenile justice, adult reentry, homelessness, foster care and DCF involvement, just to name a few areas. In fact, I am sure that the committee is aware that DCF last week issued an RFP for a social impact bond program.

The raised bill addresses the benefits that our state could reap when early childhood interventions are successful. Nationally, the issue of early childhood programming is viewed as a potential equalizer in the effort to stave off an increase in academic and income disparities for our neediest populations. This is a good instinct.

The truly exciting component of social innovation investment and other forms of pay-for-success programming is that they require a rigorous financial analysis of preventive social service programs. As noted in the press release announcing the New York social impact bond program

“The exciting thing about social-impact bonds is that there is a direct linkage between making people’s lives better and financial return, and that’s a powerful concept.”

Effective early childhood programs have established the ability to improve adolescent outcomes and avoid a variety of life issues that can result in expensive government interventions. This is also true for other social service interventions. I strongly support the present legislation, but I would ask the committee to not limit the language of the bill to early childhood programs.

Conclusion

When a state focuses on preventative social services to nurture vulnerable children, 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 can be huge. Addressing root causes with social services provides both a humanitarian and financial return.

I strongly support S.B. 105, but would ask that it not be limited solely to early childhood interventions.

Thank you.

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