

**Testimony before the Human Services Committee on HB 6763:  
An Act Concerning Social Innovation Investment  
and SB 895: An Act Concerning Temporary Family Assistance**

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Good afternoon, Senator Moore and Representative Abercrombie, Senator Slossberg and Representative McGee, Representatives Wood, Markley, Cook, Butler, Santiago, Stallworth and members of the Committee. I regret that I am not able to join you personally today, as I have spoken with many of you about the opportunities presented to us now by social innovation investing and contained today by HB 6763. I urge you to consider and adopt this wise legislation to allow for financing and measurement that better aligns outcomes and funding and supports successful human services programming.

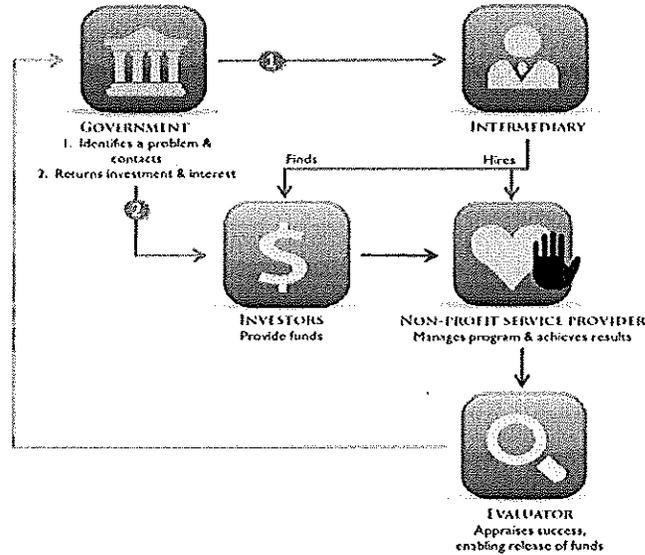
Many of you know I have worked in human services for more than a decade and for the past few have been a proponent of mechanisms known as "Social Impact Bonds" and the related financing and evaluation mechanisms they have generated. I first became aware of Social Impact Financing when I was Policy Director at CAHS and I helped form the CT Center for Social Innovation, whose work has included sponsoring conferences on the topic and helping inform nonprofits and providers in CT about its potential and structure. I serve on the board of the CT Association of Nonprofits, but my remarks today are my own. I also work with the Jobs for America's Graduates program, helping to launch a proven and scalable dropout prevention program in Connecticut.

Since my testimony last year there has been a tremendous amount of interest and activity in the field. A recent White House summit on the topic in Bridgeport, one of three nationally, drew attendees from around the country. Outstanding and creative people are using Social Impact Financing to fund teen pregnancy prevention, high-quality pre-school, effective workforce programs, asthma prevention, recidivism prevention and more.

It seems to me that the proposed bill takes a wise approach in letting OPM and CT providers have a voice in which intervention to fund. I would suggest one change – that the savings or avoided costs be rigorously captured, and that a portion be reinvested into building capacity for nonprofits to provide a sustaining wage for our workers, and into developing a systemic and meaningful evaluation system and provider capacity to perform these evaluations.

While this field is very new, it is proving its ability to make complicated systems work better together to attain better population level outcomes. Government pays only for services that are proven effective, after savings have been achieved; providers get stable funding for their services; and everyone benefits from a strong and consistent evaluation that makes us better informed about what is effective and what helps turn the curve with population level results.

As we know, this method of investment is not for all services. It requires a defined population, proven services, outcomes that can be measured to the satisfaction of all parties. It also requires a new and different infrastructure. Below is a chart of a typical structure to date. Not that three of the roles are new: intermediary, evaluator and investor. All of the parties involved agree to all terms and metrics at the outset. So while the transactions are more complicated than standard contracting, all parties are deeply involved in developing the programming and metrics that will be used to measure success, the results are well measured, and services are better able to attain population level outcomes – “turning the curve.”



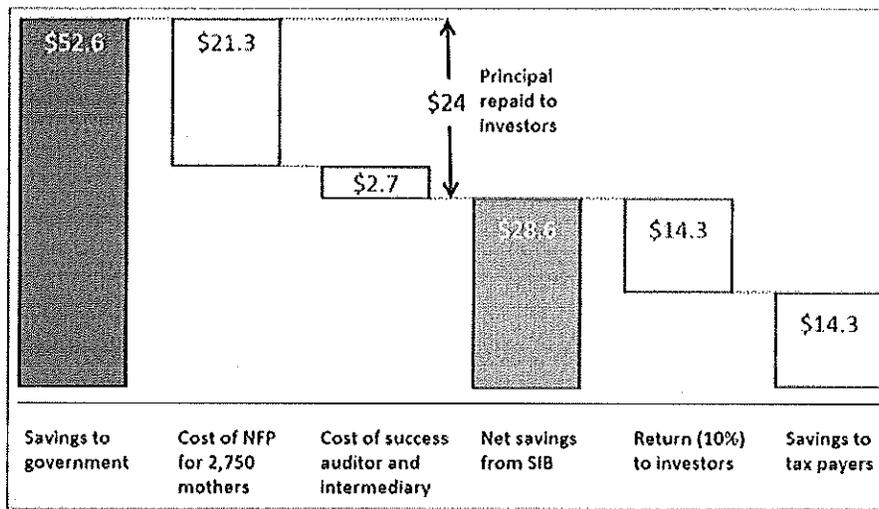
I want to also point out the similarities between the underlying elements of Social Impact Financing or “Pay for Success” and other quality improvement and accountability systems such as Results Based Accountability. Projects funded to date with Social Impact Financing have shown the ability to provide the incentives and structure for all parties to work together towards a common goal, evaluating services and progress in real time in order to make needed adjustments to services to attain positive outcomes.

### PFS Continuum

Conventional Contracting	Complete Pay-for-Success
Pays for SERVICES	Pays for OUTCOMES
Limited capacity to collect and analyze data. Limited ability to use data to inform program design or service delivery.  Frequent re-bids; generally limited provider input into service design. State payments don't necessarily cover cost of providing service.  Providers report on expenditures and services delivered.  Little incentive for systems to share information on the people they all serve.	Rigorous independent data collection and evaluation inherent in design. Data used continuously to make needed modifications to services to ensure results.  Providers, government/payors, evaluators and intermediaries all negotiate contract and terms.  Evaluators determine outcomes as agreed. Avoided costs/savings are identified and can be captured and re-invested.  Systems encouraged and incentivized to share information.

Finally, I want to point out how the savings from effective programming funded by a SIB can exceed the money paid back to investors. The chart below is from a webinar by the San Francisco Federal Reserve, "The Next Frontier of Community Development: Pay for Success and Social Impact Bonds," July 24, 2014, and compares the costs of programming, transaction structuring, investor payments and government savings:

**Illustrative Six-Year Nurse-Family Partnership SIB (millions)**



Social Impact Financing is not going to replace our current funding system anytime soon – not should it – but it can still offer tremendous benefit. The key elements are the ones all good providers strive to attain, and that all funders require; High quality services, avoided negative consequences or costs, and rigorous and meaningful measurement of results.

Also, private investment need not be forever. After a program has proved its value it can be financed by government directly.

In closing I would also like to also speak today in favor of SB 895, Pathway to Work for welfare participants: "Stopping the clock" for parents pursuing education and training needed to get a job. This is important for the many who need education and training to get a job. This bill would also deal with the "cliffs" that people who start working while on TFA can encounter at the end of 21-months by providing a gradual step down of benefit receipt over a year, rather than a complete cut-off in earnings equal to the benefit amount.

Thanks for your attention and please feel free to contact me with any questions.