

TESTIMONY PRESENTED TO THE HUMAN SERVICES COMMITTEE
February 19, 2015

Benjamin Barnes
Secretary
Office of Policy and Management

Testimony Regarding House Bill No. 6763

AN ACT CONCERNING SOCIAL INNOVATION

Senator Moore, Representative Abercrombie and distinguished members of the Human Services Committee, thank you for the opportunity to submit testimony on House Bill No. 6763, An Act Concerning Social Innovation.

This bill seeks to create the necessary statutory framework to attract future social innovation investment initiatives to the state. It allows the secretary, or an agency authorized by the secretary, to enter into outcome-based performance contracts with certain entities in order to implement preventive social programs. The purpose of these contracts is to incentivize private capital investments in proven social innovation programs that will accelerate change and save state funds that investors and the state can share in. It assumes that if established benchmarks are exceeded, the proposed return on investment can be paid for out of the savings generated to the General Fund. If the benchmarks are not met, the risk is borne by the investors.

This concept was initiated in Great Britain around criminal recidivism and is now being used in almost twenty countries, including the United States. There are now approximately ten states that have, or are establishing, these investment vehicles, including Massachusetts and New York. Examples of initiatives being pursued are those that seek to reduce homelessness and recidivism, in which the alternative is reliance on much more expensive services that are far less permanent.

At a time when state budgets are under pressure and where there are competing interests for scarce resources, this bill can provide an opportunity to bring certain socially proven reforms to scale rather than compete on a budget year basis for appropriations.

During the 2014 legislative session, the administration negotiated and agreed to the language contained in lines 4 through 118 of LCO 5669 pertaining to social

innovation investments. While the language in HB 6763 is similar to that contained in LCO 5669, we have several concerns with the bill as written:

- *Defining "preventive social programs"*. In lines 26 through 29, this proposal defines preventive social program, and effectively narrows the types of contracts that the secretary can enter into. We do not think this definition is necessary and would like to maintain the flexibility afforded in LCO 5669.
- *Addition of "specific, quantifiable outcomes"*. Throughout the bill, in addition to the social innovation investment enterprise having to meet outcome-based benchmarks, they are also required to achieve specific, quantifiable outcomes. We are unclear of the difference between the two requirements, and think that this addition may promote confusion regarding expectations.
- *Presentation to Committees*. In subsection (d) of LCO 5669, it was clarified that the secretary would present, for information purposes, certain details of any outcome-based performance contracts the secretary was considering entering in to with a social innovation investment enterprise. The language in this bill eliminates the phrase "for information purposes". This language was added to clarify that the secretary would be presenting to the committees of cognizance in order to educate and notify members about these contracts, not for legislative approval.

We remain supportive of the language in lines 4 through 118 of LCO 5669. We would like to respectfully request that this bill reflect the language agreed to during to the 2014 legislative session, or address our highlighted concerns within this testimony. I would like to again thank the committee for the opportunity to submit this testimony.