

[DISCUSSION DRAFT]

APRIL 27, 2014

113TH CONGRESS
2D SESSION

H. R. _____

To encourage and support partnerships between the public and private sectors to improve our nation's social programs, and for other purposes.

IN THE HOUSE OF REPRESENTATIVES

Mr. YOUNG of Indiana introduced the following bill; which was referred to the Committee on _____

A BILL

To encourage and support partnerships between the public and private sectors to improve our nation's social programs, and for other purposes.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*

3 **SECTION 1. SHORT TITLE.**

4 This Act may be cited as the "Social Impact Bond
5 Act".

6 **SEC. 2. PURPOSES.**

7 The purposes of this Act are the following:

1 (1) To improve the lives of families and individ-
2 uals in need in the United States by funding social
3 programs that achieve real results.

4 (2) To ensure Federal funds are used effectively
5 on social services to produce positive outcomes for
6 both service recipients and taxpayers.

7 (3) To establish the use of social impact bonds
8 to address some of our nation's most pressing prob-
9 lems.

10 (4) To facilitate the creation of public-private
11 partnerships that bundle philanthropic and other
12 private resources with existing public spending to
13 scale up effective social interventions already being
14 implemented by non-profits, charitable organiza-
15 tions, and municipal governments across the coun-
16 try.

17 (5) To bring pay-for-performance to the social
18 sector, allowing the United States to improve the im-
19 pact and effectiveness of vital social programs.

20 **SEC. 3. SOCIAL IMPACT BOND APPLICATION.**

21 (a) NOTICE.—The Secretary of the Department of
22 the Treasury shall publish in the Federal Register a notice
23 that the Department is seeking proposals from States for
24 social impact bond projects in accordance with this sec-
25 tion.

1 (b) REQUIRED OUTCOMES FOR SOCIAL IMPACT
2 BOND PROJECT.—To qualify as a social impact bond
3 project under this Act, a project must produce a measur-
4 able, clearly-defined outcome that results in social benefit
5 and Federal saving through any of the following:

6 (1) Increasing work and earnings by individuals
7 who have been unemployed in the United States for
8 more than six consecutive months.

9 (2) Increasing employment and earnings of in-
10 dividuals age 16 to 24.

11 (3) Improving rates of high school graduation.

12 (4) Increasing the proportion of children living
13 with both of their parents.

14 (5) Reducing the dependence of low-income
15 families on Federal means-tested benefits.

16 (6) Reducing incidences of child abuse and ne-
17 glect.

18 (7) Reducing teen and unplanned pregnancies.

19 (8) Reducing recidivism among individuals re-
20 leased from prison.

21 (9) Reducing the incidence of low birth-weight
22 babies.

23 (10) Increasing adoptions of older children from
24 foster care.

1 (11) Increasing employment among individuals
2 receiving Federal disability benefits.

3 (12) Other measurable outcomes defined by the
4 State that result in positive social outcomes and
5 Federal savings.

6 (c) FEASIBILITY STUDY REQUIRED.—The notice de-
7 scribed in subsection (a) shall require a State to submit
8 to the Secretary a feasibility study for the social impact
9 bond project that contains the following information:

10 (1) The outcome goals of the project.

11 (2) A description of each intervention in the
12 project and anticipated outcome of such interven-
13 tion.

14 (3) Evidence demonstrating how the interven-
15 tion is expected to produce the desired outcomes.

16 (4) The target population that will be served by
17 the project.

18 (5) The expected social benefits to participants
19 who receive the intervention and others who may be
20 impacted.

21 (6) Projected Federal, State, and local govern-
22 ment costs and other costs to conduct the project.

23 (7) Projected Federal, State, and local govern-
24 ment savings and other savings, including an esti-
25 mate prepared by the State of the savings to the

1 Federal, State, and local government, on a program-
2 by-program basis and in the aggregate, if the project
3 is implemented and the outcomes are achieved.

4 (8) If savings resulting from the successful
5 completion of the project are estimated to accrue to
6 the State or local government, the likelihood of the
7 State or local government to realize those savings.

8 (9) A plan for delivering the intervention
9 through a social impact bond model.

10 (10) A description of the expertise of each serv-
11 ice provider that will administer the intervention.

12 (11) An explanation of the experience of the
13 State, the intermediary, or the service provider in
14 raising private and philanthropic capital to fund so-
15 cial service investments.

16 (12) The detailed roles and responsibilities of
17 each entity involved in the project, including any
18 State or local government entity, intermediary, serv-
19 ice provider, independent evaluator, investor, or
20 other stakeholder.

21 (13) A summary of the experience of the service
22 provider delivering the proposed intervention or a
23 similar intervention.

1 (14) A summary of the unmet need in the area
2 where the intervention will be delivered or among the
3 target population who will receive the intervention.

4 (15) The payment terms, the methodology used
5 to calculate outcome payments, the payment sched-
6 ule, and performance thresholds.

7 (16) The project budget.

8 (17) The project timeline.

9 (18) The criteria used to determine the eligi-
10 bility of an individual for the project, including how
11 selected populations will be identified, how they will
12 be referred to the project, and how they will be en-
13 rolled in the project.

14 (19) The evaluation design.

15 (20) The metrics that will be used to determine
16 whether the outcomes have been achieved and how
17 such metrics will be measured.

18 (21) The capacity of the service provider to de-
19 liver the intervention to the number of participants
20 the State proposes to serve in the project.

21 (d) PROJECT INTERMEDIARY INFORMATION RE-
22 QUIRED.—The feasibility study described in subsection (c)
23 shall also contain the following information about the
24 intermediary for the social impact bond project (whether
25 the intermediary is a State or other entity):

1 (1) Experience and capacity for providing or fa-
2 cilitating the provision of the type of intervention
3 proposed.

4 (2) The mission and goals.

5 (3) Information on whether the intermediary is
6 already working with service providers that provide
7 this intervention or an explanation of the capacity of
8 the intermediary to begin working with service pro-
9 viders to provide the intervention.

10 (4) Experience working in a collaborative envi-
11 ronment across government and nongovernmental
12 entities.

13 (5) Previous experience collaborating with pub-
14 lic or private entities to implement evidence-based
15 programs.

16 (6) Ability to raise or provide funding to cover
17 operating costs (if applicable to the project).

18 (7) Capacity and infrastructure to track out-
19 comes and measure results, including—

20 (A) capacity to track and analyze program
21 performance; and

22 (B) experience with performance-based
23 contracting and achieving project milestones
24 and targets.

25 (8) Role in delivering the intervention.

1 (9) How the intermediary would monitor pro-
2 gram success, including a description of the interim
3 benchmarks and outcome measures.

4 **SEC. 4. AWARDING SOCIAL IMPACT BOND CONTRACTS.**

5 (a) CONSIDERATIONS IN AWARDING CONTRACT.—In
6 determining whether to enter into a contract for a social
7 impact bond project (the application for which was sub-
8 mitted under section 3) the Secretary, in consultation with
9 the Federal Interagency Council on Social Impact Bonds,
10 established by section 7, shall consider each of the fol-
11 lowing:

12 (1) The value to the Federal Government of the
13 outcome expected to be achieved if the contract is
14 fulfilled.

15 (2) The ability of the State in collaboration
16 with the intermediary and the service providers to
17 achieve the outcomes.

18 (3) The savings to the Federal Government if
19 the contract is fulfilled.

20 (4) The savings to the State and local govern-
21 ments if the contract is fulfilled.

22 (5) The expected quality and usefulness of the
23 evaluation that would be conducted with respect to
24 the contract.

1 (6) With regard to a contract proposed by a
2 State to deliver an intervention or serve a population
3 that is similar to an intervention provided or popu-
4 lation served by an existing Federal program, the
5 views and expertise of the agency administering such
6 program.

7 (b) CONTRACT AUTHORITY.—

8 (1) CONTRACT REQUIREMENTS.—The Secretary
9 may, in accordance with this section, enter into a
10 contract for a social impact bond project with a
11 State if the Secretary determines that each of the
12 following requirements are met:

13 (A) The State agrees to achieve an out-
14 come specified in the contract in order to re-
15 ceive payment.

16 (B) The Federal payment to the State for
17 each outcome specified is less than or equal to
18 the value of the outcome to the Federal Govern-
19 ment, as determined by the Secretary, in con-
20 sultation with the State and the head of any
21 agency administering a similar intervention or
22 serving a population similar to that served by
23 the project.

24 (C) The duration of the project does not
25 exceed 10 years.

1 (D) The State has demonstrated, through
2 the application submitted under section 3, that,
3 based on prior rigorous evaluations or rigorous
4 quasi-experimental studies, the intervention can
5 be expected to achieve each outcome specified in
6 the contract.

7 (E) The State, intermediary, or service
8 provider has experience raising private or phil-
9 anthropic capital to fund social service invest-
10 ments.

11 (F) The State has shown that each service
12 provider has experience delivering the interven-
13 tion or a similar intervention.

14 (2) PAYMENT.—The Secretary shall pay the
15 State only if the independent evaluator described in
16 section 6 determines that the social impact bond
17 project has met the requirements specified in the
18 contract and achieved an outcome specified in the
19 contract.

20 (c) NOTICE OF CONTRACT AWARD.—Not later than
21 30 days after entering into a contract under this section,
22 the Secretary shall publish a notice in the Federal Reg-
23 ister that includes, with regard to such contract, the fol-
24 lowing:

1 (1) The outcome goals of the social impact bond
2 project.

3 (2) A description of each intervention in the
4 project.

5 (3) The target population that will be served by
6 the project.

7 (4) The expected social benefits to participants
8 who receive the intervention and others who may be
9 impacted.

10 (5) The detailed roles, responsibilities, and pur-
11 poses of each Federal, State, or local government en-
12 tity, intermediary, service provider, independent
13 evaluator, investor, or other stakeholder.

14 (6) The payment terms, the methodology used
15 to calculate outcome payments, the payment sched-
16 ule, and performance thresholds.

17 (7) The project budget.

18 (8) The project timeline.

19 (9) The project eligibility criteria.

20 (10) The evaluation design.

21 (11) The metrics that will be used to determine
22 whether the outcomes have been achieved and how
23 these metrics will be measured.

24 (12) The estimate prepared by the State of the
25 savings to the Federal, State, and local government,

1 on a program-by-program basis and in the aggre-
2 gate, if the contract is entered into and implemented
3 and the outcomes are achieved.

4 **SEC. 5. FEASIBILITY STUDY FUNDING.**

5 (a) STATE REQUESTS FOR FUNDING FOR FEASI-
6 BILITY STUDIES.—The Secretary shall reserve a portion
7 of the funding provided in section 8 to assist States in
8 developing feasibility studies required by section 3. To be
9 eligible to receive funding to assist with completing a feasi-
10 bility study, a State shall submit an application for feasi-
11 bility study funding containing the following information:

12 (1) A description of the outcome goals of the
13 social impact bond project.

14 (2) A description of the intervention, including
15 program design, target population, an estimate re-
16 garding the number of individuals to be served, and
17 setting for the intervention.

18 (3) Evidence to support the likelihood that such
19 intervention will produce the desired outcome.

20 (4) The expected social benefits to participants
21 who receive the intervention and others who may be
22 impacted.

23 (5) Projected Federal, State, and local govern-
24 ment and other costs to conduct the project.

1 (6) Projected Federal, State, and local govern-
2 ment savings and other savings if the project is im-
3 plemented and the outcomes are achieved.

4 (7) If the savings resulting from the successful
5 completion of the project are estimated to accrue to
6 the State or local government, the likelihood of the
7 State or local government to realize those savings.

8 (8) The timeline for implementation and com-
9 pletion of the project, which shall not to exceed 10
10 years.

11 (9) With respect to a project for which the
12 State selects an intermediary to operate the project,
13 any partnerships needed to successfully execute the
14 project and the ability of the intermediary to foster
15 such partnerships.

16 (10) The expected resources needed to complete
17 the feasibility study for the State to apply for social
18 impact bond funding under section 3.

19 (b) FEDERAL SELECTION OF APPLICATIONS FOR
20 FEASIBILITY STUDY.—

21 (1) SELECTION OF FEASIBILITY STUDY APPLI-
22 CATIONS.—The Secretary, in consultation with the
23 Federal Interagency Council on Social Impact
24 Bonds, shall select State feasibility study proposals
25 for funding based on the following:

1 (A) The likelihood that the proposal will
2 achieve the desired outcome.

3 (B) The value of the outcome expected to
4 be achieved.

5 (C) The potential savings to the Federal
6 Government if the social impact bond project is
7 successful.

8 (D) The potential savings to the State and
9 local governments if the project is successful.

10 (E) The expected quality and usefulness of
11 the evaluation of the project.

12 (2) EXISTING FEDERAL PROGRAM REQUIRE-
13 MENT.—With regard to a proposed social impact
14 bond project by a State to deliver an intervention or
15 serve a population that is similar to an intervention
16 provided or population served by an existing Federal
17 program, the Secretary shall consult with the head
18 of the agency administering the intervention or serv-
19 ing the population before entering into a contract
20 with the State to provide funding for a feasibility
21 study relating to such project under this section.

22 (c) PUBLIC DISCLOSURE.—Not later than 30 days
23 after selecting a State for feasibility study funding under
24 this section, the Secretary shall publish on the website of

1 the Department of the Treasury information explaining
2 why a State was granted feasibility study funding.

3 (d) FUNDING RESTRICTION.—

4 (1) FEASIBILITY STUDY RESTRICTION.—The
5 Secretary may not provide feasibility study funding
6 under this section for more than 50 percent of the
7 estimated total cost of the feasibility study reported
8 in the State application submitted under subsection
9 (a).

10 (2) AGGREGATE RESTRICTION.—Of the total
11 amount appropriated under section 8, the Secretary
12 may not use more than \$10,000,000 to provide fea-
13 sibility study funding to States under this section.

14 (e) SUBMISSION OF FEASIBILITY STUDY RE-
15 QUIRED.—Not later than six months after the receipt of
16 feasibility study funding under this section, a State receiv-
17 ing such funding shall complete the feasibility study and
18 submit the study to the Secretary.

19 **SEC. 6. EVALUATIONS.**

20 (a) CONTRACT AUTHORITY.—The Secretary may
21 enter into a contract with an independent evaluator to
22 conduct evaluations of social impact bond projects ap-
23 proved by the Secretary in this Act, in accordance with
24 this section, and to determine whether a State project has

1 met an outcome specified in the contract in order for a
2 State to receive outcome payments under this Act.

3 (b) EVALUATOR QUALIFICATIONS.—The Secretary
4 may not enter into a contract with an evaluator unless
5 the Secretary determines that the evaluator is independent
6 of the other parties to the contract and has demonstrated
7 substantial experience in conducting rigorous evaluations
8 of program effectiveness including, where available, well-
9 implemented randomized controlled trials on the interven-
10 tion or similar interventions.

11 (c) METHODOLOGIES TO BE USED.—The evaluation
12 used to determine whether a State will receive outcome
13 payments under this Act shall use experimental designs
14 using random assignment or other research methodologies
15 that allow for the strongest possible causal inferences
16 when random assignment is not feasible.

17 (d) PROGRESS REPORT.—

18 (1) SUBMISSION OF REPORT.—Not later than 6
19 months after the contractually agreed upon mid-
20 point of the social impact bond project, the inde-
21 pendent evaluator shall—

22 (A) evaluate the progress that has been
23 made in achieving each outcome specified in the
24 contract; and

1 (B) submit to the Secretary a written re-
2 port that includes the results of the evaluation.

3 (2) SUBMISSION TO RELEVANT AGENCY AND
4 CONGRESS.—Not later than 30 days after receipt of
5 the written report pursuant to paragraph (1)(B), the
6 Secretary shall submit such report to the head of
7 each agency consulted by the Secretary before ap-
8 proving the social impact bond project and each
9 committee of jurisdiction in the House of Represent-
10 atives and the Senate.

11 (e) FINAL REPORT.—

12 (1) SUBMISSION OF REPORT.—Within six
13 months after the social impact bond project is com-
14 pleted, the independent evaluator shall—

15 (A) evaluate the effects of the activities
16 undertaken pursuant to the contract with re-
17 gard to each outcome specified in the contract;
18 and

19 (B) submit to the Secretary a written re-
20 port that includes the results of the evaluation
21 and the conclusion of the evaluator as to wheth-
22 er the State has fulfilled each obligation of the
23 contract.

24 (2) SUBMISSION TO RELEVANT AGENCY AND
25 CONGRESS.—Not later than 30 days after receipt of

1 the written report pursuant to paragraph (1)(B), the
2 Secretary shall submit such report to the head of
3 each agency consulted by the Secretary before ap-
4 proving the social impact bond project and each
5 committee of jurisdiction in the House of Represent-
6 atives and the Senate.

7 (f) **LIMITATION ON COST OF EVALUATIONS.**—Of the
8 amount made available for social impact bond projects in
9 section 8, the Secretary may not obligate more than 15
10 percent to evaluate the implementation and outcomes of
11 such projects.

12 **SEC. 7. FEDERAL INTERAGENCY COUNCIL ON SOCIAL IM-**
13 **PACT BONDS.**

14 (a) **ESTABLISHMENT.**—There is established the Fed-
15 eral Interagency Council on Social Impact Bonds (in this
16 section, referred to as the “Council”) to—

17 (1) coordinate the efforts of social impact bond
18 projects funded by this Act;

19 (2) advise and assist the Secretary in the devel-
20 opment and implementation of such projects;

21 (3) advise the Secretary on specific pro-
22 grammatic and policy matter related to such
23 projects;

1 (4) provide subject-matter expertise to the De-
2 partment of the Treasury with regard to such
3 projects;

4 (5) ensure that each State that has entered into
5 a contract with the Secretary for a social impact
6 bond project under this Act and each evaluator se-
7 lected by the Secretary under section 6 has access
8 to Federal administrative data to assist the State
9 and the evaluator in evaluating the performance and
10 outcomes of the project; and

11 (6) address issues that will influence the future
12 of social impact bond projects in the United States.

13 (b) COMPOSITION OF COUNCIL.—The Council shall
14 be composed of one designee, designated by the head of
15 the relevant agency, from each of the following:

16 (1) Department of Housing and Urban Devel-
17 opment.

18 (2) Department of Health and Human Services.

19 (3) Department of Education.

20 (4) Department of Labor.

21 (5) Department of Veterans Affairs.

22 (6) Department of Justice.

23 (7) Corporation of National and Community
24 Service.

25 (8) Department of Agriculture.

1 (9) Office of Management and Budget.

2 (10) Social Security Administration.

3 **SEC. 8. FUNDING.**

4 (a) IN GENERAL.—Out of any money in the Treasury
5 not otherwise appropriated, there is hereby appropriated
6 \$300,000,000, to remain available until expended, to carry
7 out the activities authorized under this Act.

8 (b) LIMITATION.—Of the amounts made available
9 under subsection (a), the Secretary may not use more than
10 \$1,000,000 in any fiscal year to assist in the development
11 or support of social impact bond projects, including devel-
12 opment and support activities conducted by—

13 (1) the Department of the Treasury;

14 (2) the Federal Interagency Council on Social
15 Impact Bonds; and

16 (3) any other agency consulted by the Secretary
17 before approving a social impact bond project or a
18 feasibility study under section 5.

19 **SEC. 9. WEBSITE.**

20 The Secretary shall establish and maintain a public
21 website that shall display the following:

22 (1) A copy of, or method of accessing, each no-
23 tice published regarding a social impact bond project
24 pursuant to this Act.

1 (2) For each State that has entered into a con-
2 tract with the Secretary for a social impact bond
3 project, the website shall contain the following infor-
4 mation:

5 (A) The outcome goals of the project.

6 (B) A description of each intervention in
7 the project.

8 (C) The target population that will be
9 served by the project.

10 (D) The expected social benefits to partici-
11 pants who receive the intervention and others
12 who may be impacted.

13 (E) The detailed roles, responsibilities, and
14 purposes of each Federal, State, or local gov-
15 ernment entity, intermediary, service provider,
16 independent evaluator, investor, or other stake-
17 holder.

18 (F) The payment terms, methodology used
19 to calculate outcome payments, the payment
20 schedule, and performance thresholds.

21 (G) The project budget.

22 (H) The project timeline.

23 (I) The project eligibility criteria.

24 (J) The evaluation design.

1 (K) The metrics used to determine whether
2 the proposed outcomes have been achieved and
3 how these metrics are measured.

4 (3) A copy of the progress reports and the final
5 reports relating to each social impact bond project.

6 (4) An estimate of the savings to the Federal,
7 State, and local government, on a program-by-pro-
8 gram basis and in the aggregate, resulting from the
9 successful completion of the social impact bond
10 project.

11 **SEC. 10. COMMUNITY REINVESTMENT ACT.**

12 Section 804 of the Community Reinvestment Act of
13 1977 (12 U.S.C. 2903) is amended by adding at the end
14 the following:

15 “(e) SOCIAL IMPACT BOND PROJECTS.—In assessing
16 and taking into account, under subsection (a), the record
17 of a financial institution, the appropriate Federal financial
18 supervisory agency shall consider, as a factor, investments
19 made by the financial institution in social impact bond
20 projects under the Social Impact Bond Act.”.

21 **SEC. 11. REGULATIONS.**

22 The Secretary, in consultation with the Federal
23 Interagency Council on Social Impact Bonds, may issue
24 regulations as necessary to carry out this Act.

1 **SEC. 12. DEFINITIONS.**

2 In this Act:

3 (1) AGENCY.—The term “agency” has the
4 meaning given that term in section 551 of title 5,
5 United States Code.

6 (2) INTERVENTION.—The term “intervention”
7 means a specific service delivered to achieve an im-
8 pact through a social impact bond project.

9 (3) SECRETARY.—The term “Secretary” means
10 the Secretary of the Department of the Treasury.

11 (4) SOCIAL IMPACT BOND MODEL.—The term
12 “social impact bond model” means a method of fi-
13 nancing social services in which—

14 (A) Federal funds are awarded to a State
15 only if a State achieves certain outcomes agreed
16 upon by the State and the Secretary; and

17 (B) the State coordinates with service pro-
18 viders, investors, and (if necessary) an inter-
19 mediary to identify—

20 (i) an intervention expected to
21 produce the outcome;

22 (ii) a service provider to deliver the
23 intervention to the target population; and

24 (iii) investors to fund the delivery of
25 the intervention.

1 (5) STATE.—The term “State” means each
2 State of the United States, the District of Columbia,
3 each commonwealth, territory or possession of the
4 United States, and each federally recognized Indian
5 tribe.

6 **SEC. 13. SUNSET.**

7 This Act is repealed 10 years after the date of the
8 enactment of this Act.