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Social Impact Bonds (SIBs)

Too often, we've seen government programs that fail the constituencies they are intended to serve. Unfortunately, discussions around improving these programs tend to revolve around funding levels, rather than focusing on how we can better serve our fellow Americans. Rep. Todd Young's SIB legislation would expand and improve meaningful social interventions, while driving taxpayer savings. Here's how:

Focus on outcomes, not inputs. Currently, "success" in federal social programs tends to be judged disproportionally on the amount of money spent, or the number of constituents served—not judged on whether desired outcomes were achieved. SIBs shift that focus by answering three simple questions when launching a new project: 1) *What does a successful outcome look like?* 2) *Who is the target population we are trying to help?* 3) *What is the value of each successful outcome in terms of current spending?* By answering those questions at the outset, it's possible to track progress towards established benchmarks, and determine why different interventions succeed or fail.

Harness private sector investment to expand evidenced-based policies. SIBs are public-private partnerships that harness philanthropic and other private sector investments to scale up scientifically-proven social programs. Because SIBs are focused on results, government money is only paid out to private-sector investors when desired outcomes are met, and only in accordance with the value assigned to successful outcomes.

Prevention, instead of remediation, saves taxpayer dollars. Government-managed and government-funded social programs tend to focus on remediation—intervening *after* individuals find themselves in undesirable circumstances. In contrast, many non-governmental social programs focus on prevention—intervening to help at-risk populations *before* they reach the point of needing remediation. Because SIBs focus on outcomes at the outset, the focus tends to be on prevention, instead of remediation, leading to taxpayer savings in the long run.

Rep. Todd Young's proposal to implement SIBs at the federal level

Reps. Young and Delaney's *Social Impact Bond Act* (H.R. 4885) is the first detailed legislative proposal to adapt the SIB model for broad use at the federal level, and the first proposal to incentivize collective savings across multiple layers of government (i.e., federal, state, and local). Under this bill, State and local governments would respond to the federal government's request for a proposal to increase work and earnings of the long-term unemployed, reduce welfare dependence, prevent child abuse and neglect, or to achieve other positive social outcomes that result in federal savings.

- A state or local government proposal must explain desired outcomes, the program/service to be delivered to achieve the outcome, evidence that the program/service has achieved similar outcomes before, and the positive social outcomes and level of taxpayer savings expected if the project is successful.
- A state or local government must also submit a feasibility study that shows social service provider partners have the capacity needed to run the project; that social service provider partners have experience serving the target population; and that private investment partners are able to raise the necessary funds.
- For proposals that are selected, the federal government would fund an independent evaluation to track progress towards benchmarks, and to validate that desired outcomes are met before any payment is made.
- If a state or local government achieves the desired outcomes, the federal government would pay the state or local government and its investment partners a pre-negotiated amount for funding the project and taking on the risk of success that is less than the value of the outcomes to the federal government, but more than the cost of implementation.
- The federal government will post the evaluation reports of all SIB projects to a Social Impact Bond Project website so that other states, academics, think tanks, charities, and service providers, and others can apply the findings to their own work.
- Because successful SIBs will result in future taxpayer savings and other benefits, our legislation sets aside $300 million to provide payment to states if they achieve positive outcomes.

Learn more at http://toddyoung.house.gov/social-impact-bonds