



REQUEST FOR INFORMATION
Pay-for-Success Contracts
For State of Colorado, Governor's Office of Policy & Research

OVERVIEW:

Since taking office, Governor John W. Hickenlooper has prioritized the efficient and effective use of taxpayer dollars to meet important social goals in the State of Colorado. This effort has included engaging the private sector, piloting new ideas, and collecting and acting on reliable data. The State is issuing this Request for Information as a part of its continued efforts to partner with entrepreneurs from the nonprofit and private sectors to increase the efficiency of government-funded service delivery, reduce costs to taxpayers, and accelerate innovation in ameliorating social problems.

The Office of the Governor is seeking information from providers, intermediaries, and investors on a new way of financing social programs, called “pay-for-success” contracts. We are soliciting information from potential partners as well as from interested citizens about areas of government activity where success-based contracting strategies have the potential to improve outcomes and reduce costs. If the State decides to go forward with this approach, the information obtained from this RFI will be used to develop a Request for Proposals that is targeted at the most promising applications of the pay-for-success strategy.

BACKGROUND:

Pay-for-success contracts, also referred to as “social impact bonds,” are an innovative approach to improving outcomes and reducing costs for contracted government services. Pay-for-success contracts are contracts in which a substantial portion of the payment is conditioned on the achievement of specific outcomes based on defined performance targets. Unlike typical pay-for-performance contracts, pay-for-success contracts often ask contracted parties to raise upfront capital and only reimburse such upfront capital expenses if an independent evaluator determines that performance targets have been achieved. If outcomes are achieved, the initial investors are reimbursed for the entire cost of the program plus risk premium payments. Ideally, these payments are made when government and/or societal savings are realized due to the program’s effectiveness. Programs in which potential governmental savings are larger than the cost of the program are strong candidates for the social impact bond model.

While there are many different structures that satisfy the principles of pay-for-success contracts, the common characteristics include:

- Rigorous measurement of desired goals and outcomes, validated by an outside party;
- Performance-based payments made by the government, only if outcomes are met; and
- Private-sector financing.

Since the initiation of the first pay-for-success program in Peterborough, England in 2010, several American cities and states have initiated studies or pilot programs involving this financing model. Additionally, the United States federal government has signaled its interest in



exploring pay-for-success programs. In its fiscal year 2014 budget request, the Obama Administration is requesting nearly \$500 million to support pay-for-success programs, including a \$300 million fund to be administered by the Treasury Department incentivizing the development of social impact bonds by state and local governments.

The Office of the Governor of Colorado has been offered and accepted pro bono technical assistance from the Harvard Kennedy School of Government Social Impact Bond Lab, supported by a grant from the Rockefeller Foundation, to help the Office conduct analysis and coordinate the pay-for-success policy process over the next 12 months.

Additional information on the pay-for-success model can be found at <http://hks-siblab.org/>.

POLICY AREAS OF INTEREST

The Office of the Governor has identified several policy areas that are priorities for the administration and may be appropriate for a pay-for-success contract. While the State is interested in any social service program that would produce positive social outcomes, there is particular interest in the following areas:

| Policy Area | Possible Interventions and Cost Savings |
|---------------------------|--|
| <i>Early Childhood</i> | <ul style="list-style-type: none">▪ Early intervention programs to improve kindergarten readiness, including interventions that operate at the community level; wrap around services for special populations of young children to improve readiness; early mental health interventions to prevent needs for later special education; language development programs to improve academic readiness; community home visiting programs to promote health, improve kindergarten readiness, and reduce childhood developmental delays. |
| <i>At Risk Youth</i> | <ul style="list-style-type: none">▪ Reducing recidivism rates for youth who are part of the juvenile justice system; diversion programs aimed at keeping at-risk youth out of the juvenile justice system; reduced dropout rates; increased graduation rates; reducing disconnected youth ages 16-24 who are out of school and unemployed; increased rates of foster care youth achieving permanent placement; and stable housing and transition solutions for youth aging out of the foster care system. |
| <i>Supportive Housing</i> | <ul style="list-style-type: none">▪ Providing housing and services to homeless families to reduce crime, teen pregnancy, welfare costs, and foster care costs.▪ Reducing chronic homelessness.▪ Moving persons with disabilities and/or mental illness from institutions into community settings and housing programs that are aimed at reducing recidivism into the correctional system. |
| <i>Other</i> | <ul style="list-style-type: none">▪ Programs that affect citizens across Colorado and produce realizable governmental savings. |



INFORMATION SOLICITED

The Office of the Governor requests feedback on the following topics:

Promising Interventions for the Pay-for-Success Structure:

- **What is the size and characteristics of your proposed target population and what is the size of a possible pay-for-success pilot program?**
- **What are the most promising policy areas and interventions that would improve social outcomes in Colorado while resulting in reduced costs for the State?**

Please describe the specific types of interventions you are proposing, how the intervention fits within the pay-for-success model, the costs of each intervention, outcomes you predict can be achieved through each intervention, and the types and amount of governmental savings you believe each intervention will achieve.

- **What evidence exists to support your projected outcomes and reduced costs?**

Please describe existing programs inside or outside of Colorado and the results they have been able to achieve, and other available evidence demonstrating outcomes and potential cost reductions.

Structure of the Pay-for-Success Contract and Performance Measures:

- **How should the pay-for-success contract be structured to accommodate your proposed intervention(s) or similar interventions?**

Please describe the partners needed for your proposed intervention, possible roles of an intermediary or subcontractor(s), and any other governmental entities that would be essential to the success of your program or the realization of governmental savings (i.e. the state, other counties, or a school district).

- **How should the pay-for-success contract be measured?**

Please describe the time duration needed to accomplish the intervention's outcomes and cost reductions, and the specific outcomes measurements that can be used to evaluate performance.

- **What types of investors could support the proposed pay-for-success contract?**

Please describe the types of investors that may support this initiative and what types of investments structures might be used to support the intervention.

Other Social Innovation Financing Structures the State Should Consider:

- **Are there other government services that should be examined for opportunities to restructure traditional program financing in favor of funding based on performance goals and targets?**



Please describe alternative structures that the State should consider in creating innovative solutions to social problems.

- **What other information would be useful to the Office of the Governor as it drafts a more detailed procurement solicitation on a pay-for-success pilot program?**

COMPONENTS OF SOLICITATIONS

A copy of this RFI will be posted at <https://www.bidscolorado.com/>. This RFI includes two components:

1. A forum for questions; and
2. Formal written responses from interested parties.

Respondents may choose to participate in one or both aspects of the RFI. Details regarding both components of the RFI process are provided in the sections below.

REQUEST FOR INFORMATION SCHEDULE

| | |
|--------------------------------------|--|
| September 3, 2013 | Issuance of Request for Information |
| September 20, 2013 | Inquiries Due |
| September 20, 2013 | Roundtable Registration Deadline |
| September 25, 2013 | Forum for Questions |
| October 1, 2013 | Response to Inquiries Released |
| October 15, 2013 – 12:00PM MT | Submission Deadline |

INQUIRIES

The State requests that any inquiries concerning this RFI be submitted, in writing, to gov_payforsuccess@state.co.us by 5:00PM on September 20, 2013. Select questions will be addressed at the Forum for Questions. Responses to questions will be released on October 1, 2013 and posted at <https://www.bidscolorado.com/>.

FORUM FOR QUESTIONS

The Governor's Office will facilitate and lead a forum event to outline the ideal structure and components of a written response and address questions regarding social impact bonds and the RFI processes. Specific information on the forum is below:

- Date:** Wednesday, September 25th
- Time:** 2:00pm to 4:00pm
- Location:** Old Supreme Court Chambers, Colorado State Capitol
200 E Colfax Ave, Denver, CO 80203



Registration requests for the forum should be sent via email to gov_payforsuccess@state.co.us by September 20, 2013. The email should include the following:

- Organization name;
- Name, title, and contact information for as many as two participants

WRITTEN SUBMISSIONS

Detailed responses to some or all of the information solicited should be emailed, in *searchable PDF form*, no later than 12:00PM MT on October 15, 2013 to gov_payforsuccess@state.co.us. Please include information about your organization and experience with pay-for-success contracts, social service provision, or social investment, as well as contact information for a representative from the organization who can speak to your response. **Please limit responses to ten pages and any appendices to five pages.**

For respondents choosing to submit a written response, please include the following sections:

- (1) **Executive Summary**—A succinct summary of the target population, proposed intervention, cost of the program, areas of savings (governmental and societal), and projected savings and benefits. Please provide specific numbers where applicable.
- (2) **Background**—Brief overview of you or your organization's background, including but not limited to (i) experience working with governmental entities and (ii) the implementation of successful initiatives in any of the areas outlined above, and (iii) the disclosure of any actual or potential conflicts of interest that may arise if you or your organization is selected to perform the obligations solicited through future procurement opportunities that are similar in nature to information disclosed during this request for information process.
- (3) **Answers to Information Solicited**—Responses to any or all of the following topics:
 - a. Promising Interventions for the Pay-for-Success Structure
 - b. Structure of the Pay-for-Success Contract and Performance Measures
 - c. Other Social Innovation Financing Structure the State Should Consider
- (4) **Additional Information**—Any additional information you would like to provide.



ADDITIONAL INFORMATION CONCERNING THE RFI PROCESS

Issuance and Intent: This RFI is exploratory in nature. It is being conducted to solicit information about industry best practices, ideas, tools, and recommendations from interested parties concerning pay-for-success opportunities. It is not a bid solicitation and there is no guarantee that the information gathered from this outreach effort will result in a future solicitation for services. Responses to this RFI should not anticipate a future procurement or application request. However, this RFI does serve to alert the community of items of interest to the Office of the Governor regarding pay-for-success opportunities.

Incurring Costs: The State will not be liable for any costs incurred by any respondent pertaining to the preparation for or participation in the Roundtable Discussion or for preparation and submittal of any written responses to this RFI.

Evaluation: Responses to this RFI may be reviewed and evaluated by any person(s) at the discretion of the State, including independent consultants retained by the State now or in the future.

Additional Information: The Office of the Governor retains the right to request additional information from respondents and may, at its sole discretion, elect to request formal presentations from certain vendors which will include the detailed requirements and criteria for the procurement and be based, at least in part, on the responses received to this RFI. The Office of the Governor may request further explanation or clarification from any and all respondents during the review process.

Public Record: All responses to this RFI will be public record under the Colorado Public (Open) Records Law, C.R.S. 24-72, regardless of confidentiality notices set forth on such writings to the contrary.