
Early Learning & Human Services Committee

HB 2337

Brief Description: Concerning public-private financing for prevention-focused social services and health care services.

Sponsors: Representatives Zeiger, Kagi, Magendanz, Sawyer, Jinkins, Parker, Walsh, Morrell, Farrell, Hayes, Lias, Kochmar, Freeman, Walkinshaw, Roberts, Clibborn, Dahlquist, Orwall, Tharinger, Habib, Robinson and Goodman.

Brief Summary of Bill

- Establishes the Washington Social Investment Steering Committee with 14 members.
- Requires that the Washington Social Investment Steering Committee develop an implementation plan for at least one pilot that uses social impact bonds or other public-private financing for social or health care services.
- Requires that the Office of Financial Management (OFM) issue a request for proposal to implement the pilot or pilots by July 1, 2015, and that the pilot or pilots be implemented by January 1, 2016.

Hearing Date: 1/27/14

Staff: Luke Wickham (786-7146).

Background:

Social Impact Bonds.

A social impact bond is a contract between a private party and the public sector, where the private party commits to pay for improved social outcomes that result in public sector savings. This private-public financing method is also known as a Pay for Success Bond or a Social Benefit Bond. These bonds do not offer a fixed rate of return. Investors are repaid if certain

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social outcomes are achieved, presumably with savings associated with the achievement of those social outcomes.

A variety of governments around the world are piloting social impact bond initiatives in subject areas ranging from public safety to housing. For example, Goldman Sachs provided a \$9.6 million loan to a social services provider to pay for a four-year program intended to reduce the recidivism rate for adolescent males released from Rikers Island Correctional Facility in New York City. If the program reduces the recidivism rate by 10 percent, Goldman Sachs would be repaid the full amount they invested. If the recidivism rate reduces beyond 10 percent, Goldman Sachs would make a profit, and if it reduces by less than 10 percent Goldman Sachs would lose money.

Summary of Bill:

The Washington Social Investment Steering Committee is established with 14 members as follows:

- two Senators from each caucus;
- two members of the House of Representatives from each caucus;
- one representative from the State Treasurer's Office;
- one representative from the Washington State Institute for Public Policy;
- one representative from a community development financial institution;
- an expert in econometrics analysis and evaluation;
- one representative from an entity that invests philanthropically;
- one representative from the University of Washington Evidence-Based Practice Institute;
- one representative from a direct service provider; and
- one consultant with knowledge and expertise in social impact bonds.

The co-chairs of the steering committee must be two legislative members, one from the House of Representatives and one from the Senate, and each must be from different caucuses. The first meeting of the steering committee must occur no later than July 1, 2014. Private funding and grants must be used to provide facilitation and consulting services for the steering committee.

By December 1, 2014, the committee must develop an implementation plan for at least one pilot program that uses social impact bonds or other public-private financing mechanisms to finance and deliver prevention-focused social or health care services. The plan must include identification of:

- a financing model to be used for the pilot program, including a description of the financing mechanism for any use of state funds and for obtaining private financing;
- target populations and services;
- specific and measurable outcomes and establishment of baselines;
- a process for measuring the outcomes; and
- legislative action needed to implement the pilot.

By July 1, 2015, the OFM or a state agency designated by the OFM shall issue a request for proposal to implement the pilot(s). The pilot(s) must be implemented by January 1, 2016. By December 1, 2015, and annually thereafter, the steering committee must provide a report to the Legislature and Governor.

Appropriation: None.

Fiscal Note: Requested on January 17, 2014.

Effective Date: The bill takes effect 90 days after adjournment of the session in which the bill is passed.