



Travis County Commissioners Court Agenda Request

Meeting Date: November 4, 2014
Prepared By/Phone Number: David Salazar
Office of the Travis County Judge
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Elected/Appointed Official/Dept. Head: Samuel T. Biscoe
Travis County Judge

Commissioners Court Sponsor:

AGENDA LANGUAGE:

CONSIDER AND TAKE APPROPRIATE ACTION ON THE FOLLOWING REGARDING THE "PAY FOR SUCCESS" INITIATIVE:

- A. REQUEST FOR TRAVIS COUNTY TO SERVE AS GRANT APPLICANT OR CO-SPONSOR OF THE GRANT APPLICATION; AND
- B. A FINANCIAL CONTRIBUTION OF \$25,000.

BACKGROUND/SUMMARY OF REQUEST AND ATTACHMENTS:

Please see attached.

STAFF RECOMMENDATIONS:

ISSUES AND OPPORTUNITIES:

FISCAL IMPACT AND SOURCE OF FUNDING:

REQUIRED AUTHORIZATIONS:



**Pay For Success (PFS) Feasibility Study
Funding Request Submitted to Travis County
November 4, 2014**

Vision

United Way for Greater Austin (UWATX) and Greenlights envision that many of our community's most intractable problems can be solved (or at least significantly and measurably improved), but that such solutions will likely require more innovative approaches than have traditionally been employed. Communities across the country have had initial success with a new form of structuring and financing community problem-solving called Pay for Success (PFS). **We would like to undertake a robust initial assessment to determine whether Austin/Travis County has the elements essential to structuring such an initiative, and if so, which community problems might be most ripe for application of PFS.**

Background

Pay for Success (PFS) is an innovative financing mechanism that could significantly change the way social interventions are funded and scaled to meet growing community need. PFS is a promising new practice in which philanthropic and private risk capital are used to fund health and human services (most often in a preventative fashion) that have been shown to produce real results, while also reducing the financial and societal costs associated with remediation. Once defined outcomes are achieved among the target populations (e.g., youth living in poverty; the chronically homeless), investors are reimbursed by the beneficiaries of the demonstrated cost savings (typically governmental and/or health care agencies).

PFS is characterized by three unique advantages over typical public procurement of health and human services: 1) government pays for the services ONLY if certain pre-approved outcomes are achieved (rather than in advance on the hopes they will be achieved); 2) private investors/philanthropists provide the up-front capital needed to implement the interventions and thereby shoulder most of the risk of success; and 3) only evidence-based and/or proven, promising practice interventions are funded and scaled.

Project Definition

In order to formally define, assess and prioritize issue areas where PFS could add significant value in Austin and Travis County, UWATX and Greenlights are seeking to engage a third-party

expert consultancy that specializes in PFS to conduct a landscape assessment of our community's readiness for PFS. Over a period of 3 to 9 months, the selected nonprofit consultancy would: 1) conduct a landscape survey of the community's likelihood of embracing PFS and of 4 to 6 issue areas to determine which have the highest likelihood of success within a PFS initiative; 2) perform a detailed feasibility study on the two highest priority areas, as determined by the landscape survey; and 3) engender in this community a new level of awareness of, and capability to execute on, future PFS initiatives.

Project Goals

1. Gather a broad understanding of how well our community leaders understand and might be open to embracing a PFS initiative in Austin/Travis County, and whether the fundamental elements of success are present in this community.
2. Gather consistent data across all opportunity areas in order to assess which interventions have a proven history of success and are thus good candidates for PFS. Data will be collected to determine the following in Austin/Travis County: baseline levels of social service provision; historical outcome data; demographics of current and potential service recipients; costs incurred to publicly and privately funded institutions and capacity to fund a PFS deal.
3. Analyze the Austin/Travis County social service landscape and prioritize potential PFS projects based on local need, funder interest, financial return and overall community benefit.
4. Define a project and timeline to implement and launch Austin/Travis County's first PFS deal.
5. Identify relevant institutional and individual partners and secure commitments for the provision of financial support, social service delivery, data sharing and program evaluation.

Anticipated Cost

We are currently evaluating proposals from the two national leaders in Pay for Success (PFS). [Third Sector Capital](#) would charge a flat fee of \$150,000, exclusive of travel expenses. [Social Finance](#) has estimated a cost between \$120,000 and \$165,000, depending on the scope and duration of the project.

Commitments Secured

- Austin/Travis County Health and Human Services – \$25,000
- Central Health – \$25,000
- United Way for Greater Austin – \$15,000 (in-kind contributions)
- Greenlights – \$15,000 (in-kind contributions)

Commitment Sought from Travis County

In order to hire a consultancy to conduct an initial landscape survey and feasibility study, UWATX and Greenlights are requesting \$25,000 from Travis County. We are also requesting that the County authorize its staff to work with the City of Austin, UWATX, and Greenlights to pursue a new federal award competition that might fund part of this initiative. Third Sector Capital recently received \$1.9 million in federal funding through the Social Innovation Fund

(SIF), administered by the Corporation for National and Community Service, and closely affiliated with the White House. This November, Third Sector will launch a competition to select 5 to 10 sub-recipient communities across the country. Each selected site will receive technical advisory services and support throughout the feasibility stage of PFS construction. Pending approval from City of Austin and Travis County, UWATX and Greenlights will lead local efforts to submit a collaborative city/county proposal to this competition. If selected by Third Sector, the County's \$25,000 contribution may no longer be needed to hire a consultancy. However, the County's funding can be applied toward a match that the federal government is mandating for all SIF sub-recipients. Third Sector plans to announce the winning sub-recipients by April 2015.