

**REQUEST FOR INFORMATION  
SOCIAL IMPACT BONDS  
FOR THE STATE OF ILLINOIS, GOVERNOR’S OFFICE OF MANAGEMENT AND  
BUDGET**

**Introduction**

This Request for Information (RFI) is being issued by the Governor’s Office of Management and Budget (GOMB) to obtain information regarding the development and implementation of “Pay for Success Contracts” or “Social Impact Bonds” that will facilitate the goals of the Governor to achieve desired social outcomes through innovative financing.

**1. BACKGROUND**

Pay for Success Contracts are contracts where payments to service providers (or to intermediaries who raise private sector funds to finance the operations of the service providers) are made largely or entirely based on achieving specific performance targets. Ideally, the payments are made when savings are realized due to the program’s effectiveness. This approach is currently being piloted by the United Kingdom (UK), Australia, the State of New York, the Commonwealth of Massachusetts, and cities across the United States. The first Pay for Success Contract was used by the UK Justice Ministry as a way to finance services aimed at reducing post-release reoffending by prisoners.

Pay for Success Contracts may also be supported through the use of Social Impact Bonds. These are financing arrangements where third party investors/intermediaries fund service providers with operating capital and other expertise to support pay for success contracts with the government. An intermediary usually facilitates the process and contracts with all relevant stakeholders. Investors will be repaid only if the service providers are successful at meeting the goals outlined in the Pay for Success Contract.

While the various country, state and city models vary in mechanics, common characteristics include:

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

The State is also considering procuring the services of a highly qualified Intermediary Entity to help administer a Social Impact Bond program. In a Social Impact Bond program, an Intermediary Entity may be responsible for any or all of the following functions:

- A. Raise private sector capital

- B. Assemble and manage teams of service providers
- C. Assist with the development of appropriate programming, utilizing evidence-based models
- D. Monitor and track outcome measures
- E. Manage provider performance throughout the duration of a multi-year pay for success contract
- F. Conduct ongoing management of grants awarded to service providers to achieve performance targets
- G. Collect and share data with the State Government, grantees and independent outcome validator (if applicable) needed to evaluate program outcomes

For more information about Pay for Success Contracts and Social Impact Bonds, please refer to the White House pay for success fact sheet at <http://www.whitehouse.gov/omb/factsheet/pay-for-success> or the Harvard Kennedy School's Social Impact Bond Technical Assistance Lab's webpage at <http://hsk.siblab.org>.

## **2. GOALS**

GOMB seeks to identify opportunities where an innovative finance model can be implemented to achieve desired social outcomes. While GOMB is interested in any social service program that would produce positive social outcomes, there is particular interest in the following areas:

- A. Education. Initiatives in this area could include, but are not limited to: reducing dropout rates; reducing truancy rates; and increasing graduation rates in community colleges;
- B. At-Risk Youth. Initiatives in this area could include, but are not limited to: 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, and increase rates of foster care youth achieving permanent placement;
- C. Adult Corrections. Initiatives in this area could include, but are not limited to: reducing recidivism rates for adults who are part of the correctional system and diversion programs aimed at keeping at-risk individuals out of the correctional system;
- D. Public Health. Initiatives in this area could include, but are not limited to: improving birth outcomes for at-risk women and reducing asthma related emergency room visits;
- E. Behavioral Health. Initiatives in this area could include, but are not limited to: reducing recidivism rates in state mental health hospitals, reducing emergency room/inpatient care visits, and diversion programs aimed at keeping persons with behavioral health issues out of the correctional system;
- F. Supportive Housing. Initiatives in this area could include, but are not limited to: 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;

- G. Veterans. Initiatives in this area could include, but are not limited to: improving mental health treatment, reducing homelessness and job training;
- H. Workforce Development. Initiatives in this area could include, but are not limited to: workforce training programs for displaced workers, at-risk youth, public assistance recipients, individuals leaving the correctional system, or long term unemployed.

### **3. INFORMATION TO BE SUBMITTED**

GOMB recognizes that considerable effort may be required in preparing a response to this RFI. Please note, however, that this is not a request for services. Each Respondent must bear all costs for preparing its RFI responses. GOMB shall not incur any cost from any Respondent who responds to this RFI.

Anyone interested in responding to this RFI should provide information organized as follows:

#### **3.1 Background Information**

GOMB requests that the respondent provide a brief overview of his or her background, including but not limited to (i) experience working with similar governmental entities and (ii) the implementation of successful initiatives in any of the areas outlined above.

#### **3.2 Description of program**

Please describe a social service program area where the aforementioned structure would be an effective tool in achieving positive social outcomes. In particular, GOMB is interested in identifying programs that:

- A. Are evidence-based, achieve desired social outcomes, and result in a quantifiable savings for the State.
- B. Have demonstrated success on a measurable scale
- C. Have the potential to be implemented more broadly using the Pay for Success Model.

Please be specific as possible when drafting your response to the following questions, if applicable:

- A. What social issue are you proposing to address? Please include the target population, the intervention recommended, the possible outcomes and the cost savings that may be achievable to the State of Illinois.
- B. What is the structure of your proposed intervention? Please provide a description of the services and supports you would provide to achieve the desired outcome.
- C. What is the scale of your recommended initiative in terms of budget, timelines and population served?
- D. What funding sources are currently available, particularly in the private sector, for the recommended intervention?
- E. What mechanisms are in place or need to be developed to track and evaluate outcomes for the purposes of determining overall success of the initiative?

### **3.3 Description of Governance Structure**

The State requests information from respondents that will assist GOMB in developing the governance structure for a Social Impact Bond program. Please include the following in your response:

- A. Describe which of the aforementioned functions should be the responsibility of an Intermediary Entity vs. the State, an Independent Outcome Validator or other entity.
- B. What governance structure would be most effective in achieving desired social and financial outcomes within a Social Impact Bond program?
- C. Are there alternative models that are consistent with the Social Impact Bond Principles outlined in this RFI the State should consider, including contracting directly with service providers?

### **3.4 Description of Other Issues or Considerations**

Please describe any other issues or considerations not otherwise covered in this RFI that can assist GOMB in developing and implementing a Pay for Success Contract or Social Impact Bond.

### **3.5 Additional Information**

Please note that this RFI may be followed up with a Request for Proposals (RFP). The State of Illinois reserves the right to make all submissions to this Request for Information public, except as agreed by the parties in writing.

## **4. PREPARATION AND SUBMISSION OF RESPONSE**

Responses should be prepared succinctly, providing straightforward, concise information pursuant to Section 3 of this RFI.

Please provide the response to the RFI in the following manner:

- A. Title Page. Include name of company, address, telephone number, name of contact person, date, and the title of the RFI.
- B. Table of Contents. Include a clear identification of the written material by section and by page number.
- C. Scope of Services. Include all the information requested under Section 3 of this RFI.

Responses must be submitted electronically in a searchable PDF file smaller than 2MB in size, sent via e-mail addressed to: [Social.Impact.Bonds@Illinois.gov](mailto:Social.Impact.Bonds@Illinois.gov), no later than 2:00 p.m. CDT June 14, 2013. The subject line of the e-mail should be: "RFI –Social Impact Bonds".

For questions, please contact:

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