

STATE OF MICHIGAN
SOCIAL IMPACT BONDS – PAY FOR SUCCESS BASED FINANCING

REQUEST FOR INFORMATION

PROJECT NUMBER: #0071141113B0000535

Introduction

In working to reinvent government in Michigan, Governor Rick Snyder is committed to delivering innovative and efficient services to the residents of Michigan. By prioritizing partnerships as part of this reinvention, Governor Snyder is providing a customer-focused government that is committed to achieving intended outcomes from the investment of public resources. While Governor Snyder has implemented structural reforms creating efficiencies and eliminating duplication, he continues to pursue new opportunities to provide world-class services and delivery models that support, drive, and enable prosperity.

In this pursuit, Governor Snyder is seeking ideas for innovative public-private financing partnerships that will leverage private resources to improve the effectiveness and quality of government services. The State of Michigan is considering a limited number of performance based initiatives for the delivery of government services using a pay for success model.

Model

Under the pay-for-success model, state payments for social services would be directly linked to specific outcome-based performance measures and no payments would be made if established performance measures were not met. The state payment amounts would be based primarily on the budget savings the outcomes produced. For example, a program may provide services that help prevent prisoner recidivism, resulting in reduced corrections expenditures. Social Impact Bonds (SIBs) are often used to finance the operations of the service providers in pay-for-success projects: commercial and/or philanthropic investors provide the service providers with operating capital in exchange for a share of the performance-based payments that are received if the targeted outcomes are achieved.

The goal of the pay for success model is to achieve desired social outcomes and budget savings using innovative financing and service delivery. By aligning the efforts of the public, private, and not-for-profit sectors the model seeks to reduce duplication and promote collaboration to provide better outcomes at a lower cost.

This Request for Information (RFI) is seeking to identify opportunities to deliver efficient and effective government services utilizing innovative performance based financing strategies. The

State of Michigan is beginning an exploratory process to collect information regarding ideas, resources, and interest in pay-for-success/SIB opportunities.

Priority Areas

The State of Michigan has identified the areas of criminal justice and human services as priorities for the implementation of the pay for success model. However, the State would also be interested in receiving innovative ideas in other policy areas.

Technical Requirements

In evaluating pay for success opportunities, there are several technical requirements that must be considered:

- *Availability of performance measures for assessing outcomes.* These measures must allow a rigorous methodology to be used for measuring the program's impacts. For instance, an initiative aimed at preventing high-risk juveniles from entering the juvenile justice system would need to identify a specific target population (say substance abusers and the mentally ill), that population's current outcome rates, past trends, and future expectations. In addition, a statistical approach would need to be available for assessing the outcomes of the initiative relative to the counterfactual outcomes that would have occurred in the absence of the initiative;
- *A strong evidence base indicating that the intervention model is likely to achieve the outcome targets.* For instance, there may be a large body of research suggesting that evictions are a key factor in homelessness, and so an eviction prevention program may have an effect on homelessness;
- *A sufficient and well defined participant base (at minimum, initiatives must serve 200 participants per year).* For instance, an initiative aimed at streamlining healthcare services for aging prisoners may identify prisoners over 55 with an additional 10 year sentence with one or more chronic medical conditions as the target population;
- *Ability to take the initiative to scale if results show that the initiative is working.* For instance, an employment program for parolees may begin in mid-sized urban areas but have the potential to be scaled to Michigan's larger cities and rural areas; and
- *Clear and identifiable state budgetary savings.* For instance, an initiative that reduces recidivism will save Michigan from spending general fund dollars on incarcerating repeat offenders.

Each of these requirements must be addressed in submissions outlining an opportunity for service delivery using a SIB model. In addition to the requirements listed above, submissions should also address details surrounding the initiative.

Informational Meeting

An informational meeting for interested parties has been scheduled for 1:30pm on September 24, 2013 at the Michigan Historical Center:

Michigan Historical Center
Forum Auditorium
717 West Allegan Street
Lansing, Michigan 48915

Questions and Interaction with Respondents

All questions concerning this RFI must be submitted through www.buy4michigan.com. Questions and answers will be posted as they are received on the above referenced website.

The State of Michigan reserves the right to continue interaction with Respondents as they deem appropriate, which may include conducting one-on-one meetings with Respondents after the receipt of the RFI responses. All or certain parts of the information conveyed at the meeting can be classified as confidential at the sole discretion of the State of Michigan; and upon request by the Respondent, except as required by law, including the Freedom of Information Act.

Submission Instructions

Submissions are due no later than 5:00pm on October 24, 2013. Submissions are to be provided both electronically through www.buy4michigan.com as well as hard copy to Mr. Brandon Samuel. Submit six written copies of response (including one clearly marked original) using one of the methods identified below:

- 1) Responses may be delivered to the receptionist desk of the Department of Technology Management and Budget (DTMB), Procurement Office on the 2nd Floor of the Mason Building;
- 2) DTMB Procurement address for responses submitted by contract carrier, courier delivery, or personal delivery, is:

Brandon Samuel
Department of Technology Management and Budget
DTMB Procurement
2nd Floor, Mason Building
530 West Allegan Street
Lansing, MI 48933

3) Responses submitted through the United States Postal Service should be addressed to:

Brandon Samuel
Department of Technology Management and Budget
DTMB Procurement
P.O. Box 30026
Lansing, MI 48909

Limitations

This RFI is solely intended to solicit information about innovative pay for performance opportunities using a SIB model. This document is not a bid solicitation and there is no guarantee that information gathered from this RFI will result in future solicitation for services.

Inquiry Only – No Contract

This RFI is an inquiry only and no contract or agreement will be entered into as a result of this process. By responding to this document or otherwise participating in this process, no contract or agreement will be formed and no legal obligation between the State of Michigan and Respondent will arise. Individual firms or teams that have not responded to this RFI shall not be precluded from participating in any future solicitation processes in relation to the project.

The State of Michigan is under no obligation as a result of this process and may decide to proceed or not to proceed with the pay for success model based on responses to this RFI. The State of Michigan reserves the right to proceed with other contract procurement means.

The State of Michigan is not requesting nor will we evaluate proposals, detailed plans, marketing materials, budgetary information or proprietary information in response to this RFI. Respondents should refrain from submitting any copyrighted material or any information that the respondent may consider to be proprietary or confidential.

Right to Alter

The State of Michigan reserves the right to alter any of this RFI, including any conditions and criteria outlined herein which may include, but is not limited to, deadlines for submissions. The State of Michigan reserves the right to cancel this RFI process at any time. Any notifications regarding alterations or cancellations of this document will be posted on the www.buy4michigan.com website.

Cost and Expenses – No Reimbursement

Each Respondent is responsible for its own costs and expenses related to this process, including cost and expenses associated with preparing and submitting a response to this RFI, participating in the process, the provision of any additional information, or attendance at meetings/interviews. No costs related to this RFI will be reimbursable from the State of Michigan.

Ownership of Submissions

The State of Michigan will be entitled to retain all submissions and any other documentation received or related in response to this RFI . The State of Michigan will not offer any pay or other compensation for submissions or documents received in response to this document.

Non-confidentiality of Information

Respondents are advised that parts of the information included in the response documents may be presented to other branches of State Government or released to the public. Also, it is brought to the Respondents attention that the State of Michigan is subject to the Freedom of Information Act with respect to any documents or other records provided to the State and, by law, are subject to disclosure to the public upon request. Therefore, Respondents should consider responses to this RFI to be public documents.