

State of New York
Division of the Budget
in partnership with the Executive Chamber

REQUEST FOR INFORMATION

Identifying Innovative Ways to Finance Social Services

In the 20 months since his inauguration, Governor Andrew M. Cuomo has transformed Albany and made government work for the people once again. Passing a balanced, on-time budget two years in a row, capping property taxes, driving innovative regional economic development, and enacting historic, fair tax rates, Governor Cuomo has restored New York to its place as a national leader. Under the Governor's leadership, New York is reimagining how government works. Through fiscal discipline, streamlined state operations, and performance-based systems, the Cuomo administration is demonstrating that government can both perform better and cost less.

Although much has been accomplished, the State continues to pursue new opportunities to better harness the many resources of the people and the private sector to ensure that the State achieves the best results for New Yorkers. Toward that end, the State is seeking ideas for creative public-private partnerships that will leverage State resources while improving the efficiency and quality of government services.

Our Goal: This Request for Information (RFI) is designed to identify more effective and efficient ways to achieve desired social outcomes through innovative financing that invests in prevention and better aligns private, public and not-for-profit sectors behind programming that works.

Background

We seek better ways for state government to pay for social services. Too often the public sector under-invests in preventive services, missing the opportunity to simultaneously improve lives and save money.

Multiple agencies and levels of government pay for a wide range of services; however, no one agency is held accountable for making sure New York's most vulnerable families and communities achieve their full potential. Initiatives that address underlying social and environmental conditions and that pay for interventions based on predetermined and measurable outcomes are critical to promote innovation and realize positive results.

Governments around the world are exploring new financing models that have the potential to improve outcomes and save taxpayers money. The models go under several names, including "pay for success contracts" and "social impact bonds," but they share common characteristics: rigorous measurement of outcomes, success-based payments to service providers, and creative private-sector financing that helps these proven service providers fund their operations and achieve scale with minimal risk to state government budgets.

Through this RFI, the State seeks to identify opportunities for New York to benefit from these innovative new financing models. In particular, New York is interested in exploring new partnerships and financing models for the delivery of social services where:

1. State payments for services are directly linked to service providers' achievement of specific performance measures. No payments would be made if the performance targets are not met.
2. The outcomes are measured rigorously by an independent validator, and impact is assessed based on comparison to an estimate of the "counterfactual" outcomes that would have occurred in the absence of the services being delivered.
3. At least several hundred people are served each year and there is an identifiable path to expanding a successful initiative to a larger population.

Payments under these contracts will generally occur several years after services are delivered – once outcomes can be measured. Service providers will therefore need to access private capital in order to finance their operating costs and spread performance risk. In addition, achieving the desired outcomes will often require teams of service providers – both because a range of services may be needed to achieve the outcomes and because different providers operate in different parts of the State.

Because of the complexity of these arrangements, the State anticipates that most of the outcome-based contracts will be with intermediary organizations that would raise private capital and assemble and manage the teams of service providers. However, the State is also open to alternative models that are consistent with Pay for Success principles, including contracting directly with service providers.

Once promising opportunities are identified, the State anticipates seeking any necessary legislative authority and then commencing a formal solicitation, review and selection process for Pay for Success initiatives. Initiatives that will both improve outcomes and save money will be the highest priority for implementation. In addition, the State will undertake projects only where there is strong existing evidence that the project's model works or where the potential gain for learning about the efficacy of a promising new approach is substantial.

Policy Priorities and Scope

The State is interested in suggestions in any social service area, but is particularly interested in those that will help achieve some of the priorities the Governor has set for his first term:

Reducing Crime. Initiatives in this area could include, but are not limited to services for at-risk youth aging out of the foster care system; services including education and training for youth in the juvenile justice system or education and job training for adults in the correctional system; housing programs including half-way houses for sex offenders and for inmates being discharged from prison; and programs that improve connections between inmates and services in their home communities.

Educating our Children, Youth, and Young Adults. Initiatives in this area could include (but are not limited to): early intervention programs to improve kindergarten readiness, including interventions that operate at the community level; and after-school programs that

reduce high school dropout rates or initiatives that increase college enrollment and completion.

Investing in Our Workers. Initiatives in this area could include (but are not limited to): providing training to displaced workers to give them the skills they need to find new jobs or providing training to at-risk youth entering the labor force for the first time; assisting public assistance recipients obtain living wage work; helping low-income noncustodial parents connect to both work and their children; and reconnecting the long term unemployed to the labor market.

Improving Health and Reducing Health Care Costs. Initiatives in this area could include (but are not limited to): supportive-housing for chronically homeless individuals; nurse-family partnerships to serve first-time mothers; broader community home visiting programs to promote health, improve kindergarten readiness, and reduce childhood developmental delays; proven effective models of addressing and preventing diseases such as asthma and lead poisoning, especially those that can reduce emergency department visits and other health care costs; and aging in place support for the elderly.

Partnering with Local Governments. The Governor has secured significant mandate relief that will provide billions of dollars of savings for local governments – including State takeover of growth in the local share of Medicaid costs, a phased takeover of local Medicaid administration expenses, and historic pension reform. However, the State remains committed to providing further assistance, and would welcome ideas related to programs that are jointly administered or overseen by the State and its local partners, or programming in which the cost is borne by one level of government but the savings are realized by another level.

Place based strategies. Initiatives in this area could include setting a goal of ensuring a cohort of children successfully make it to first grade by incentivizing a collection of providers and State services (e.g. education) to focus on the single goal of reaching first grade, or raising capital to put streetlights in crime hotspots thus lowering police and local jail costs by the reductions in crime.

Administration of this RFI

Format of Response to this Request for Information:

A copy of this RFI will be posted at <http://www.budget.ny.gov/contract/index.html>. This RFI will have two components:

- A Roundtable Discussion; and
- Formal written responses from interested parties.

Respondents may choose to participate in one or both aspects of the RFI. In either case, respondents are directed to follow the guidelines outlined below. Respondents should be creative when providing information related to this RFI. Respondents may submit responses, either in whole or in part, in cooperation with other respondents.

RFI Schedule:

Date	Event
September 5, 2012	Issuance of Request for Information
September 18, 2012	Inquiries Due
September 20, 2012	Roundtable Registration Deadline
October 2, 2012	Roundtable Discussion
On or about October 5, 2012	Response to Inquiries Released
October 15, 2012 – 12:00PM ET	Submission Deadline

Inquiries:

The State requests that any inquiries concerning this RFI be submitted, in writing, to Contracts@budget.ny.gov by **12:00PM on September 18, 2012**. Select questions will be addressed at the Roundtable Discussion. Responses to all questions will be released on or about **October 5, 2012** and posted at <http://www.budget.ny.gov/contract/index.html>.

Roundtable Discussion:

To maintain an open dialogue with interested parties, the State will facilitate and lead a structured Roundtable Discussion. The Roundtable Discussion agenda and list of questions for discussion will be provided to interested parties prior to the scheduled date. The time and location of the Roundtable Discussion, and all other pertinent information will be provided at a later date to those interested in this RFI. All updated information related to the Roundtable Discussion will be posted at <http://www.budget.ny.gov/contract/index.html>.

Parties interested in attending the Roundtable Discussion must submit their request by e-mail to Contracts@budget.ny.gov on or before **September 20, 2012**. The e-mail should including the following:

- Firm name;
- Contact information for up to two participating representatives (names, titles, address, phones number and e-mail address); and
- Contact information for up to three observers (names, titles, address, phones number and e-mail address).

Written Submission:

The State seeks information on opportunities including specific initiatives the State could undertake using the pay for success model. In particular:

- Social services programs for which an evidence base exists to suggest that a pay for success model would be appropriate and feasible in terms of both achieving desired outcomes and reducing costs.
- Innovative solutions to social issues that have been demonstrated on a small scale and have potential to be implemented more broadly using a pay for success model.

In developing your response, please be as specific as possible and include a discussion of as many of the following as possible and appropriate:

Initiatives and Program Issues

- What social issue you have identified, including the target population, the intervention you recommend, the possible outcomes and the cost savings that may be achievable?
- What is the scale of your recommended initiative, both in terms of dollars, timelines and populations served?
- In initiatives like the one(s) you recommend, are high-performing service providers available or can they be made available to deliver programs that work and that deliver outcomes rather than outputs?

Funding

- What options/methods could be used to raise private sector funding for the initiative you recommend?

Measurements

- For the opportunity you have recommended, what mechanisms are in place or need to be developed to track and evaluate outcomes for purposes of determining overall achievement of Pay for Success objectives?

General Questions about the Pay for Success Model

- What areas of service are not appropriate for a Pay for Success model?
- What criteria should the State consider in evaluating various Pay for Success options?
- What are the major pitfalls and/or hurdles that could limit the effectiveness of a Pay for Success initiative?

Please include in your response a contact for your organization with name, telephone number, e-mail, and mailing address. It would also be helpful if you would describe any relevant experience and expertise in related fields, with pay-for-success contracts, or with raising funds for social service programs. Interested parties are invited to submit a response addressing the questions above along with any existing material or material prepared specifically in response to this RFI that they believe may be of interest or use to the State.

One electronic copy and/or ten hardcopies of the response should be either e-mailed or mailed no later than **12:00PM on October 15, 2012** to:

Mr. Jason DiGianni
New York State Division of the Budget
State Capitol, Room 128
Albany, New York 12224
Contracts@budget.ny.gov

Additional Information

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 Division of the budget and Executive Chamber 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.

Disclosure of Responses to the RFI:

All materials submitted by a respondent shall become the property of the State and may be returned to the respondent at the sole discretion of the State. The State has the right to adopt, modify, or reject any or all ideas presented in any material submitted in response to the RFI.

To request that materials be protected from New York State Freedom of Information Law (FOIL) disclosure, the respondent must follow the procedures below regarding the FOIL. If a respondent believes that any information in its response or subsequent communication constitutes proprietary and/or trade secret information and desires that such information not be disclosed if requested pursuant to the New York State Freedom of Information Law, Article 6 of the Public Officers Law, the respondent should make that assertion by clearly identifying, by page number, line, or other appropriate designation, the specific information requested to be protected from FOIL disclosure and the specific reason why such information should not be disclosed. Vague, non-specific, summary allegations that material is proprietary or trade-secret are inadequate and will not result in protection from FOIL disclosure.

In the event any material is requested pursuant to FOIL, the State will address each party's interests fully in accordance with the procedures required by Article 6 of the Public Officers Law.